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Financing options for the full implementation of results-based actions relating to the activities referred to in decision 1/CP.16, paragraph 70, including related modalities and procedures

Technical paper

Summary

This technical paper presents a summary of the views submitted by Parties and admitted observer organizations relating to modalities and procedures for financing results-based actions and considering activities related to decision 1/CP.16, paragraphs 68–70 and 72. It covers the range of financing options identified by Parties and admitted observer organizations, the key substantive elements that could be relevant for the development of modalities and procedures and lists issues that may require further exploration. This paper is intended to serve as input for the workshop on the same subject matter that will be held during the informal sessions of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, on 30 August–5 September 2012 in Bangkok, Thailand. Its other purpose is to facilitate Parties' consideration of financing options for the full implementation of results-based actions referred to in decision 1/CP.16, paragraph 73, including modalities and procedures for financing results-based actions and considering activities related to decision 1/CP.16, paragraphs 68–70 and 72.

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I. Introduction

A. Mandate

1. The Conference of the Parties (COP), by decision 1/CP.16, adopted policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries, as part of the Cancun Agreements.[1] This decision encourages developing country Parties to contribute to mitigation actions in the forest sector by undertaking the following activities: reducing emissions from deforestation; reducing emissions from forest degradation, conservation of forest carbon stocks, sustainable management of forests, and enhancement of forest carbon stocks (REDD-plus).[2] It also identifies the key elements that need to be developed and/or taken into account by Parties when implementing these activities.[3]

2. The COP, in this decision, also requested the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) to explore financing options for the full implementation of the results-based actions referred to in paragraph 73 of the same decision, and to report on progress made, including any recommendations for draft decisions on this matter, to the COP at its seventeenth session. The AWG-LCA, at its fourteenth session, parts 1–4, in 2011, considered this request by the COP. The outcome of this consideration is reflected in decision 2/CP.17, paragraphs 63–73.[4]

3. In decision 2/CP.17, paragraph 69, the COP invited Parties and admitted observer organizations[5] to submit to the secretariat their views on modalities and procedures for financing results-based actions and considering activities related to decision 1/CP.16, paragraphs 68–70 and 72. The views of Parties are contained in documents FCCC/AWGLCA/2012/MISC.3 and Add.1–3, and were considered by the AWG-LCA at its fifteenth session.

4. The COP, in the same decision, also requested the secretariat to prepare, subject to the availability of supplementary resources, a technical paper, based on the submissions of Parties and admitted observer organizations referred to in paragraph 3 above, as an input for the workshop referred to in paragraph 5 below.[6]

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[1] The full text regarding policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries of decision 1/CP.16 is contained in document FCCC/CP/2010/7/Add.1, paragraphs 68–79.

[2] These activities are specified in decision 1/CP.16, paragraph 70. Hereinafter these activities are referred to as "REDD-plus".

[3] Decision 1/CP.16, paragraphs 71–74, 76 and 78.

[4] The full text regarding policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries of decision 2/CP.17 is contained in document FCCC/CP/2011/9/Add.1, paragraphs 63–73.

[5] Submissions from intergovernmental organizations are available on the UNFCCC website at <http://unfccc.int/3714>. Submissions from non-governmental organizations are available on the UNFCCC website at <http://unfccc.int/3689>.

[6] Decision 2/CP.17, paragraph 71.

5. The COP also requested the secretariat to organize, subject to the availability of supplementary resources, a workshop taking into account the submissions from Parties and admitted observer organizations referred to in paragraph 3 above, the technical paper referred to in paragraph 4 above, and the conclusions on this matter by the AWG-LCA at its fifteenth session,[7] before the forthcoming session of the AWG-LCA to be held in conjunction with the eighteenth session of the COP.

B. Scope of the paper

6. This paper was prepared in response to the mandate as referred to in paragraphs 3–5 above. It is based on the submissions of views provided by Parties and admitted observer organizations as referred to in paragraph 3 above. The intent of this technical paper is not to provide an exhaustive coverage of all views and proposals submitted by Parties and admitted observer organizations; instead, the paper aims to capture the key issues and proposals expressed by Parties, specifically, and by admitted observer organizations. Their views and proposals are summarized under several elements, commonly related to financing options and modalities and procedures. The purpose of capturing views and proposals under these elements is to present the broad range of views held by Parties, their general and/or shared understanding of some issues and elements, as well as their different views on other elements.

7. It comprises an introduction and three substantive chapters. Chapter II provides an overview of the financing options identified by Parties and admitted observer organizations in their submissions. Chapter III presents key substantive elements, which could be considered in the development of modalities and procedures for financing results-based actions relating to REDD-plus. Chapter IV lists issues that may require further exploration as identified by Parties.

8. The annexes to this paper contain the following items:

(a) A list of Parties and admitted observer organizations that provided submissions to the secretariat;

(b) Some country experiences noted in the submissions by Parties;

(c) Tables presenting details of Parties' views and proposals on various elements.

C. Possible action by the Ad Hoc Working Group on Long-term Cooperative Action under the Convention

9. Parties may wish to consider the information contained in this technical paper and use it as a basis for their discussions at the workshop on the same subject matter, as referred to in paragraph 5 above, that will be held during the informal sessions of the AWG-LCA on 30 August–5 September 2012 in Bangkok, Thailand.

10. The AWG-LCA, at its next session, may wish to consider this technical paper and the report on the outcomes of the workshop referred to in paragraph 9 above as part of its consideration of financing options for the full implementation of results-based actions relating to REDD-plus, including modalities and procedures for financing results-based actions and considering activities related to decision 1/CP.16, paragraphs 68–70 and 72,

[7] The oral report on this agenda item made to the contact group of the AWG-LCA at its fifteenth session in May 2012 can be found on the UNFCCC website at <http://unfccc.int/6646>.

with the aim of reporting on progress made and any recommendations to the COP at its eighteenth session.[8]

II. Financing options for activities relating to REDD-plus

A. Introduction

11. The COP, in decision 1/CP.16, recognized that developing country Parties undertake the activities referred to in paragraph 70 of this decision within the context of the provision of adequate and predictable support, including financial resources and technical and technological support and in accordance with national circumstances and respective capabilities.[9] The COP urged Parties, in particular developed country Parties, to support, through multilateral and bilateral channels, the actions and activities in all the phases of implementation of REDD-plus.[10]

12. In decision 2/CP.17, the COP agreed that, regardless of the source or type of financing, the activities referred to in decision 1/CP.16, paragraph 70, should be consistent with the relevant provisions included in decision 1/CP.16, including the safeguards in its appendix I, in accordance with relevant decisions of the COP.[11] The COP also agreed that results-based finance provided to developing country Parties that is new, additional and predictable may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources.[12]

13. In this same decision, the COP considers that, in the light of the experience gained from current and future demonstration activities, appropriate market-based approaches could be developed by the COP to support the results-based actions by developing country Parties referred to in decision 1/CP.16, paragraph 73, ensuring that environmental integrity is preserved, that the provisions of decision 1/CP.16, appendices I and II, are fully respected, and should be consistent with the relevant provisions of decisions 1/CP.16 and 12/CP.17 and any future decision by the COP on these matters.[13] It also noted that non-market-based approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests as a non-market alternative that supports and strengthens governance, the application of safeguards as referred to in decision 1/CP.16, appendix I, paragraph 2(c–e), and the multiple functions of forests, could be developed.[14]

14. This chapter provides an overview of the financing options identified by Parties and admitted observer organizations, including their elaborated views associated with these options.

B. Overview of options for results-based financing

15. Parties and admitted observer organizations have submitted their views on financing options for the full implementation of results-based actions relating to REDD-plus, including non-market options, market options and innovative financing options. Those

[8] Decision 2/CP.17, paragraph 73.
[9] Decision 1/CP.16, paragraphs 71–74.
[10] Decision 1/CP.16, paragraph 76.
[11] Decision 2/CP.17, paragraph 63.
[12] Decision 2/CP.17, paragraph 65.
[13] Decision 2/CP.17, paragraph 66.
[14] Decision 2/CP.17, paragraph 67.

views include the preference of numerous Parties for a flexible basket of financing options, the concerns expressed on the insufficiency of public funds, and the need to explore innovative financing mechanisms and instruments.

16. Most Parties, including developing country Parties expressed strong views on the need for the scaling up of new, additional and predictable results-based finance from developed countries for the implementation of REDD-plus activities in developing countries.

17. In particular, least developed countries (LDCs)[15] have expressed their views that they must be given priority support in areas such as: general readiness; policy development and implementation; technology development and transfer; demonstration activities; development of reference emission levels/reference levels; and the establishment of national forest monitoring systems and systems for providing information on safeguards.

18. While Parties generally agree on the need for significant financial resources to finance results-based actions, there are different views on how to ensure that such resources are made available to developing country Parties. Many Parties expressed their understanding that public funding alone will not suffice to reach the level of financing required and thus private investment and carbon markets should have a fundamental role in mobilizing resources for financing results-based REDD-plus activities. Other Parties have indicated that the role of private financing should be supplemental, while the focus should be on new, additional and predictable public finance.

1. Market options

19. Market options identified and proposed by Parties vary across a broad range from those views that emphasize the role of market options as a means to mobilize resources at the required level, and others on the supplementary role that market options should have.

20. Parties that identify market options for financing results-based REDD-plus actions call for the inclusion of existing and new market-based mechanisms established in accordance with existing and further decisions of the COP.

21. Colombia, Costa Rica, Honduras and Mexico noted the insufficiency of public funds and highlighted the role of private investment that needs to be attracted to REDD-plus activities. The Philippines and Switzerland have mentioned that more resources will be needed in REDD-plus than the amount pledged to date in public finance. Indonesia also recognizes that the role of the private sector in engaging in results-based actions and in addressing drivers of deforestation and forest degradation is essential.

22. Guyana indicated that Parties should consider all market-based approaches to support results based actions, but a new market mechanism under the guidance and authority of the COP is preferred, to ensure efficiency and environmental integrity. A summary of the different approaches of these mechanisms, as found in Parties' submissions, is given in table 1.

Table 1
Different approaches of financial mechanisms as per Parties' submissions

Approach	*Parties*
Operating entities of the financial mechanisms under the Convention	China, European Union, United States
Green Climate Fund	Brazil, Colombia, Costa Rica, Gambia on behalf of least developed countries,

[15] The submission from LDCs was submitted by the Gambia on their behalf.

Approach	*Parties*
	Honduras, India, Malawi, Malaysia, Mexico, Mozambique, Philippines, Switzerland
Dedicated REDD-plus window under the Green Climate Fund	Coalition for Rainforest Nations, Guyana, Indonesia, Norway
REDD-plus mechanism	Coalition for Rainforest Nations (refer to annex I of their submission)
REDD-plus market mechanism	Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tome and Principe
New market mechanisms	Coalition for Rainforest Nations, Guyana
Subset of the broader market-based mechanisms	United States

23. Parties in the Coalition for Rainforest Nations[16] and Guyana noted that private sources should be subject to specific guidance developed by the COP. This would ensure consistency with existing and future standards adopted by the COP, as well as efficiency, effectiveness and environmental integrity. Mozambique stated that conditions to access these funds should not be more burdensome than decisions agreed by the COP.

Recognition of REDD-plus credits and relation to the clean development mechanism

24. Several Parties acknowledged that REDD-plus activities could generate credits that could either be used for compliance with the existing commitments under the Kyoto Protocol or be a part of a separate and distinct market-based mechanism for REDD-plus. Costa Rica suggested that in order to increase the private funding and improve the conditions of REDD-plus activities in the long term, the REDD-plus units generated by developing country Parties must be widely recognized as a mechanism to achieve the goal of the national reduction of emissions in low carbon economies, and must also be eligible for use as part of the accountability for achieving the commitments under the Convention, including those commitments established under the Kyoto Protocol, and beyond 2013.

25. India stated that market-based approaches to be developed for incentivizing removals and emission reductions shall be separate from the clean development mechanism (CDM) market. Malaysia also indicated that a market-based mechanism for REDD-plus should be separate from the CDM. The Coalition for Rainforest Nations indicated that a REDD-plus mechanism cannot compete with, and lower market prices for, actions taken under the CDM, so that REDD-plus should be addressed within a separate mechanism, complementary and additional to the CDM.

Offsetting

26. A number of Parties directly or indirectly proposed REDD-plus financing through bilateral and multilateral offset programmes, including the Coalition for Rainforest Nations, Guyana, Norway, Philippines, Switzerland and the United States of America. The United States, for example, indicated the need for bilateral offset crediting programmes, which

[16] The Coalition for Rainforest Nations comprises Bangladesh, Cameroon, Central African Republic, Congo, Costa Rica, Côte d'Ivoire, Democratic Republic of the Congo, Dominica, Dominican Republic, Fiji, Gabon, Ghana, Guyana, Honduras, Kenya, Pakistan, Panama, Papua New Guinea, Sierra Leone, Solomon Islands, Suriname and Uganda.

were in development in a number of countries to abide with the substance of decision 2/CP.17, paragraph 79.

27. Brazil is of the opinion that the consideration of new financing options based on appropriate market-based mechanisms excludes the use of offset mechanisms. In its view, a broader debate on other financing options and new ideas on appropriate market-based mechanisms is needed, which would not be based on the expected generation of offsets. The LDCs stated their opposition to including REDD-plus in the system of carbon trading that could provide developed countries with a window to offset their own emissions.

Measuring, reporting and verification of support

28. The Coalition for Rainforest Nations indicated that market-based sources should also be monitored, reported and verified. Indonesia stated that financing for the full implementation of results-based REDD-plus actions needs to take into account measuring, reporting and verification (MRV) of support. Saudi Arabia calls for an assessment process through which sources of finance may be reviewed and evaluated to enable monitoring and assessment of progress, effectiveness and adequacy of funding.

29. Views of Parties on MRV of action are included in paragraphs 99–109 below.

2. Non-market options

Role of public funding

30. Most developing countries, including Commission des Fôrets de l'Afrique Centrale (COMIFAC) countries, specifically Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tome and Principe,[17] LDCs and Saudi Arabia, called for funding to come primarily from public sources. Saudi Arabia noted that the private financing role should be supplemental and should never replace or displace public funding. Malaysia also called for a continued role of public international funding.

31. Bolivia (Plurinational State of), Brazil, China and Saudi Arabia reinforced the need for new, additional and predictable results-based finance from developed countries for the implementation of REDD-plus activities in developing countries.

32. The United States asserted that a range of entities and institutions may provide financing for REDD-plus results-based actions, including non-market-based financing. A synthesis of these views of Parties on the characteristics that the funding of results-based actions should have is shown in table 2.

Table 2
Characteristics of funding for results-based actions as per Parties' submissions

Characteristic	*Parties*
Predictable/ stable/reliable	Bolivia (Plurinational State of), Brazil, China, Coalition for Rainforest Nations, Colombia, Costa Rica, Honduras and Mexico, European Union, Gambia on behalf of least developed countries (LDCs), Guyana, Malaysia, Mozambique, Norway, Saudi Arabia
Sufficient/ adequate	Coalition for Rainforest Nations, Colombia, Costa Rica, Honduras and Mexico, European Union, Gambia on behalf of LDCs, Guyana, Japan, Malaysia, Mozambique, Philippines, Saudi Arabia, Switzerland

[17] Hereinafter Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tome and Principe are referred to as COMIFAC countries.

Characteristic	*Parties*
New and additional	Bolivia (Plurinational State of), Brazil, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tome and Principe, China, Coalition for Rainforest Nations, Guyana, Saudi Arabia
Scaled up	Brazil, European Union, Norway
Significant	Coalition for Rainforest Nations, Guyana
Substantial	Indonesia, Norway
Sustainable	Coalition for Rainforest Nations, Gambia on behalf of LDCs, Mozambique, Norway
Equitable	Gambia on behalf of LDCs
Transparent	Coalition for Rainforest Nations

33. In addition to the characteristics of funding for results-based actions, Bolivia (Plurinational State of) called for the establishment of non-market compensatory mechanisms that attach value to the sustainable and integral management of forest resources as a basis for the provision of support to local and indigenous people for the management of their forests, and forest landscapes, in sustainable ways.

34. Mozambique requested that public funds cover non-carbon benefits especially, while Malaysia noted a role for public international funding in the provision of implementing 'plus'-actions and safeguards. China stated that all the activities and actions resulting in emission reduction, removal and stabilized forest carbon stocks shall be provided with equal opportunity to access REDD-plus finance. India also called for ensuring the proportionate distribution of resources between 'REDD' activities (decision 1/CP.16, para. 70(a–b)) and 'plus' activities (decision 1/CP.16, para. 70(c–e)).

Green Climate Fund

35. Numerous Parties expressed their views on the importance of channelling resources through the financial mechanism under the Convention and identified a prominent role for the Green Climate Fund (GCF). China has indicated that the operating entities of the financial mechanism under the Convention should ensure sufficient earmarked financial provisions for REDD-plus actions.

36. Brazil noted that a significant share of new multilateral funding for REDD-plus should flow through the operating entities of the financial mechanism under the Convention, such as the GCF. The Coalition for Rainforest Nations and Guyana also indicated specifically that resources should be channelled through or governed by a dedicated REDD-plus window under the GCF.

37. Colombia, Costa Rica, Honduras and Mexico suggested that the GCF should provide results-based incentives and could coordinate other contributions from all Parties and from any other interested funding entity such as private sector entities, foundations and non-governmental organizations. In this regard, many Parties asked for the GCF to have a coordinating function for international and bilateral funding (Philippines and Switzerland), and also for innovative sources such as carbon taxes and levies (Guyana). Guyana indicated that a REDD-plus window under the GCF should coordinate funding managed by international finance institutions, with a view to absorbing all public finance in the long run, and should also administer a share of the public finance generated by market-linked sources.

3. Combination of market and non-market options

38. Most Parties recognized that the financing of results-based REDD-plus actions cannot rely on a single source, including the Coalition for Rainforest Nations, COMIFAC countries, Costa Rica, Guyana, Indonesia, Japan, Malaysia, Mozambique, Norway, Philippines and Switzerland, and the United States. In their submissions, these Parties called for a combination or portfolios of public and private sources and innovative financing options, including bilateral, regional and multilateral finance, to increase the ambition level of REDD-plus action.

39. According to the Coalition for Rainforest Nations and Guyana, financial resources for the full implementation of results-based actions should come from a flexible combination of public and private sources, including market-based sources. Costa Rica also stated that the funding for the implementation of REDD-plus action could be from a variety of sources, as long as they are new, predictable, additional and complemented with international or national public funds. Indonesia stated that financing for the full implementation of results-based REDD-plus actions should be part of developed country Parties' commitment to jointly mobilize financial resources of USD 100 billion per year by 2020.

40. The United States indicated that all sources and types of funding will be required and should be encouraged, given the urgent need to mitigate climate change and the very real need for financing of all phases of REDD-plus, including for results-based actions. Norway recognized that, in the absence of agreement on innovative financing options, public finance and emerging carbon markets – as long as they contribute to increased overall ambition levels and ensure adherence to agreed safeguards as well as environmental integrity (as agreed in Durban, South Africa) – must be tapped to generate demand for emission reductions from REDD-plus. Japan mentioned that in order to ensure a sufficient volume of finance, various types of finance, including public and private finance, in both developed and developing countries should be mobilized.

41. The Philippines and Switzerland stated that market and non-market based approaches must be used in particular under mid-term and long-term financing, including finance mechanisms that will necessitate market and non-market based approaches with cooperation from both the private and public sectors to raise REDD-plus finance to an adequate level. Colombia, Costa Rica, Honduras and Mexico identify sources of incentives including fund-based incentives and market-based incentives as, in their view, public funding alone will not suffice to achieve the emission reductions required to avoid the worst impacts of climate change.

42. Bolivia (Plurinational State of) indicated that potential sources of financial support for the Joint Mitigation and Adaptation Mechanism for the Integral and Sustainable Management of Forests (see para. 33 above) should be through new, additional and reliable funding that will come from a variety of sources, public and private (outside the markets), including external public funds, ethical private funds and business funding.

43. COMIFAC countries and Malawi suggested that developing countries should be able to make a choice between non market-based mechanisms and market-based mechanisms, depending on national circumstances. The Coalition for Rainforest Nations proposed that all market-based mechanisms, including existing and new, regional and national, should be explored on a voluntary basis by the Parties, which have agreed to consider appropriate market-based approaches to support results-based actions by developing country Parties referred to in decision 1/CP.16, paragraph 73.

4. Innovative financing options

44. Many Parties, including the Coalition for Rainforest Nations, Colombia, Costa Rica, Honduras and Mexico, Guyana, Indonesia, and Norway emphasized the potential of innovative sources of finance and that this should be further explored. These include taxes, redirected subsidies, long- and medium-term capital, advanced market commitment, microfinance, bonds, securitization, payment for ecosystem services (PES) and insurance. The diverse innovative financing options proposed by a number of Parties are presented in table 3, together with a description (where available) and indicating the Party that has suggested its consideration.

Table 3
Potential innovative financing options as per Parties' submissions

Innovative financing options	*Description*	*Parties*
Taxes	Including: (a) Financial transaction tax (b) Carbon taxes or levies (c) Natural capital tax (d) Tax incentives	Guyana, Honduras
Redirected subsidies	Subsidies earmarked to finance REDD-plus activities	Coalition for Rainforest Nations
Long- and medium-term capital	Private sector 'patient capital', including green investors Pension funds	Coalition for Rainforest Nations, Philippines and Switzerland
Advanced market commitment	Contractual obligation to purchase	Coalition for Rainforest Nations, Guyana
Microfinance	Microfinance mechanisms	Honduras
Forest bonds	Government underwriting and financial sector of supplies of funds	Philippines and Switzerland
REDD-plus bonds	Bonds structured as public–private partnerships, pledges on future carbon emissions reduction units guaranteed by Annex I Parties and sold to private investors	Coalition for Rainforest Nations, Guyana
Securitization	Bond instruments to securitize future revenues from assigned amount unit auctions	Coalition for Rainforest Nations
Payment for ecosystem/ environmental services		Honduras Philippines and Switzerland
Valuation of conservation and ecosystem services		Malawi

Innovative financing options	*Description*	*Parties*
Insurance	Insurance to: (a) Compensate reversals (b) Cover risk to buyers associated with pre-payment and political and commercial risk	Colombia, Costa Rica, Honduras and Mexico, Saudi Arabia

45. Saudi Arabia emphasized that it is necessary to avoid controversial alternative sources of innovative financing, which would introduce extra burdens to developing countries. COMIFAC countries indicated that to avoid duplication of efforts it may not be appropriate to conduct extensive discussions on these alternative sources within the group on REDD-plus finance.

C. Views by admitted observer organization on financing options

46. Observer organizations from civil society and the World Bank Group as an intergovernmental observer organization have provided their views on financing options for results-based REDD-plus activities in their submissions, which complement the views provided by Parties.

47. The Environmental Defense Fund (EDF) and the group of observer organizations it represents,[18] the Climate Markets and Investment Association (CMIA) and the International Emissions Trading Association (IETA) noted that it is critical to provide adequate incentives to reward reduction activities through ambitious goals for reduced emissions. The Global Forest Coalition was of the opinion that it is not very realistic to assume that there will be a significant demand for forest carbon offsets before, or even after 2020. It further added that addressing the underlying causes of forest loss does not require a huge financial investment, but rather a redirection of the financial flows that currently support bioenergy, large-scale tree plantations, mining and other destructive projects.

1. Market options

48. CMIA outlined the importance of moving forward quickly on results-based finance, but also estimates that current levels of public funding are unlikely to reach the level of significant and sustained financing necessary. It further listed a number of tools that can assist to draw private capital to assist environmental goals, for example forward purchase commitment, concessional finance or guarantee instruments to mitigate risks that lenders and investors would not be willing or able to accept. IETA suggested that the "prompt start" approach adopted for the CDM should also be applied to the REDD-plus market mechanisms, as this would encourage private capital to be deployed as soon as possible.

[18] The Environmental Defense Fund made a submission on behalf of the Amazon Environmental Research Institute, Conservation International, the Environmental Defense Fund, the Natural Resources Defense Council, the Rainforest Alliance, The Nature Conservancy, the Union of Concerned Scientists, the Wildlife Conservation Society, the Woods Hole Research Center and World Vision International. Hereinafter, reference to the Environmental Defense Fund also refers to this group of observer organizations supporting the views in this submission by the fund.

2. Non-market options

49. The World Wide Fund for Nature (WWF) stated that countries must urgently identify and commit additional short-term finance beyond the existing fast-start funding, and demonstrated how to meet the finance needs for all phases of REDD-plus, establish a REDD-plus window under the GCF and adequate incentives for the full scope of REDD-plus results. The EDF and the group of observer organizations it represents urged countries to identify and commit financing for the 2013–2020 time frame, as soon as possible, especially for phase 1 and 2 activities.

50. The EDF and the group of observer organizations it represents noted that public and innovative sources of finance will play an important role in complementing market finance. Sustainable Population Australia suggested that public finance, which may be raised by taxing carbon in developed countries, allows for much more robust and equitable interventions than the international trading of carbon permits.

3. Combination of market and non-market options

51. The World Bank Group noted that the rigour inherent to and the incentive created by performance-based payments is attractive to both the public and private sectors. EDF, the Forest and European Resources Network (FERN) and the group of observer organizations it represents,[19] believe that funds for REDD-plus must come from a variety of public and private sources. WWF also supports a 'basket' approach to REDD-plus financing, coming from, for example, national budgets, new sources of finance, as well as carbon markets that meet the objective of environmental integrity. WWF further explained that public investments must be scaled up and additional private sector investments in REDD-plus must be mobilized.

52. CMIA noted that the success of REDD-plus lies in creating the architecture to harness a variety of regulatory and other policies, funding sources, and deployment models from both the public and private sectors. It further suggested that there is a significant body of work that can be drawn upon by Parties to assist in the creation of integrated schemes involving the public and private sectors, for example the Business and Biodiversity Offsets Programme, the Green Development Initiative or the Forest Footprint Disclosure Project.

4. Innovative financing options

53. WWF stressed the need for innovative sources of finance for REDD-plus, including innovative climate adaptation and mitigation financing opportunities such as forest climate bonds, measures to address emissions from international aviation and shipping or financial transaction taxes. FERN and the group of observer organizations that it represents proposed alternatives, which justify consideration and inclusion in the suite of options available for financing REDD-plus, including financial transaction tax, increased revenue for developing country governments addressing illegal logging, and redirect subsidies, especially producer subsidies.

54. Furthermore, the World Bank Group suggested the blending of traditional and innovative financing, in order to secure the concessionary resources and to grant the financing that seem necessary at the initial stage to reduce risk to private capital and then to mobilize significant flows of private sector financing at a later point. Securing timely and

[19] FERN made a submission on behalf of itself, the Rainforest Foundation UK, the Rainforest Foundation Norway, ClientEarth, the Climate Justice Programme, the Forest Peoples Programme, the Third World Network, Nord–Sud XXI, International-Lawyers.org, Global Witness, Friends of the Earth United States, Friends of the Earth Norway and Friends of the Earth Switzerland. Hereinafter, reference to FERN also refers to this group of observer organizations supporting the views in this submission by the foundation.

predictable financing through innovative strategies can also catalyse additional financing investment.

III. Key substantive elements relating to modalities and procedures for financing the full implementation of results-based REDD-plus actions

A. Introduction

55. This chapter presents the views by Parties and admitted observer organizations on the key substantive elements that could be considered in the development of modalities and procedures for financing the full implementation of results-based actions and considering activities related to decision 1/CP.16, paragraphs 68–70 and 72. These key substantive elements encompass principles, policy elements, governance elements/institutional arrangements, methodological elements, and the form and/or conditions of payments.

B. Principles

56. Parties, in their submissions, identified several principles that should guide the modalities and procedures for financing results-based actions. These include: transparency, inclusiveness, equity, accountability, effectiveness and efficiency, predictability and common but differentiated responsibilities. Developing country Parties also emphasized the voluntary nature of these activities and elaborated on some principles that should guide the modalities and procedures.

57. The LDCs identified several principles to guide the financing of REDD-plus actions: adequacy, equitability of distribution, predictability, sustainability, and accommodation of different national circumstances and capabilities. China also identified several principles for the application and distribution of results-based REDD-plus finance, that it should be open, effective, efficient, appropriate and participatory, while respecting the domestic laws, regulations and the relevant institutional arrangements in developing countries.

58. China noted that any modalities and procedures for financing results-based actions relating to REDD-plus should strictly follow the relevant Articles of the Convention, in particular Article 4, paragraphs 3 and 7, and be conducive to strengthening the multilateral finance mechanism under the Convention. The LDCs proposed that Article 4, paragraph 9, of the Convention must be reflected in all COP decisions relating to REDD-plus.

59. Saudi Arabia emphasized that the proposed modalities and procedures should explicitly refer to the following guiding principles and relevant provisions of the Convention: the principles of equity; common but differentiated responsibilities; country ownership; the commitments of developed countries to provide financial resources to developing countries as the only financial flow recognized by the Convention, and the only financial resources, which could fairly be described as "new, additional, predictable and adequate".

60. The Joint Mitigation and Adaptation Mechanism of Bolivia (Plurinational State of) reinforces the principle that the environmental functions of forests must not be converted into commodities and the understanding that forests are much more than mere reservoirs of carbon. This mechanism also supports the respect for the rights of local and indigenous peoples and recognizes their efforts to strengthen local institutions in the integral and sustainable management of forests. Bolivia (Plurinational State of) elaborated a full set of foundations on which the mechanism is built upon and guidelines to be considered in the

implementation of the mechanism (refer to annex III, table 5, for further details on the principles proposed by Bolivia (Plurinational State of)).

C. Policy elements

61. Parties expressed a range of views that has policy relevance in the consideration of modalities and procedures for financing the full implementation of REDD-plus activities. Several Parties emphasized the importance and need for scaling up new, additional and predictable financing for REDD-plus activities when considering modalities and procedures for financing the full implementation of REDD-plus. The Parties also identified some general characteristics, participation requirements and the scope of coverage for which financing should be provided that should be considered in the design of modalities and procedures. In addition, the Parties highlighted the importance of addressing the drivers of deforestation and forest degradation and recognizing non-carbon benefits and co-benefits as part of this consideration of modalities and procedures for REDD-plus financing.

62. *Scaling up financing for REDD-plus activities:* Brazil reinforced the need for the scaling up of new, additional and predictable results-based finance from developed countries for the implementation of REDD-plus activities. Guyana expressed a similar view, stressing the need for significant financial resources. Indonesia considers that the financing for the full implementation of results-based REDD-plus actions should be part of the developed countries' commitment to jointly mobilize financial resources of USD 100 billion per year by 2020. Norway shared a similar view that continued, predictable and scaled-up funding for 2013–2015 must be ensured if the world is to achieve the two degree goal and the goal to slow, halt and reverse forest cover and carbon loss in developing countries. However, Norway emphasized further that it is more important to send a credible global signal in the near future that there will be substantial and predictable demand for REDD-plus results (or verified forest sector emission reductions) in the 2016–2020 period and beyond.

63. *General characteristics of modalities and procedures*: In their provision of views, Parties noted that the modalities and procedures should be simple, ensure equal opportunities for all developing countries to access finance, guide the design and implementation of national policies, ensure balance between technical requirements and implementation costs and identify the types of results-based actions that could be financed.

64. China stressed the need to give due consideration to the different abilities in finance absorption and delivery and hence, the need for simplified modalities and procedures that allow for low transaction costs and ensure a well-balanced consideration of the various technical requirements and the implementation costs of REDD-plus. India further added that developing countries can claim incentives for results-based actions following due modalities and procedures agreed by all Parties for this purpose. The United States noted its expectation that the development of modalities and procedures with respect to results-based finance will happen within specific entities providing such finance.

65. China, India, Malaysia and Saudi Arabia noted that equal opportunity should be available to all Parties to access results-based finance for all activities and actions under REDD-plus. The LDCs underscored the view that results-based financing for REDD-plus must not put LDCs at a disadvantage, and that, based on Article 4, paragraph 9, of the Convention, Parties shall take full account of the specific needs and special situations of LDCs in their actions with regard to the funding and transfer of technology.

66. The European Union noted that modalities and procedures for financing results-based actions should guide the effective and efficient design and implementation of

national forest-related policies, and the use of financing should be informed by the principles of aid effectiveness.

67. Colombia, Costa Rica, Honduras and Mexico referred results-based actions to those actions that lead to a measurable reduction in greenhouse gas emissions or an increase in carbon stocks relative to a reference emission level or reference level, including the creation of enabling environments. They provided examples of such actions as: structural readiness reforms that reduce incentives for deforestation and forest degradation; on-the-ground interventions and investments that reduce pressure on forests and promote their sustainable management and other land-use and management actions by governments and landowners.

68. *Participation and scope of coverage*: Some participation requirements identified by the Parties include ensuring the voluntary nature of participation, describing the contribution of REDD-plus to nationally appropriate mitigation actions (NAMAs), having in place national REDD-plus strategies that link to national programmes and agreeing on scope and methodology for results-based actions. Other Parties provided elements, which financing should cover. Among the elements noted, the following are included: financing for the three phases of REDD-plus implementation; investments in national programmes and infrastructure, particularly those that support forest-dependent communities; opportunities for alternative livelihoods; and capacity-building and technical assistance. The paragraphs that follow reflect the specific views expressed by these Parties.

69. India and Indonesia stressed that the activities mentioned in decision 1/CP.16, paragraph 70, are to be undertaken on a voluntary basis by developing countries. The European Union stated that the mobilization of adequate and predictable funding should enable the broad participation of developing countries resulting in a wide coverage of forests and avoiding international carbon emissions displacement. Colombia, Costa Rica, Honduras and Mexico also clarified that, before being able to participate in the REDD-plus incentives mechanism, a Party should inform the secretariat about the approach(es) it has selected to deal with reversals.

70. In addition to those already agreed by the COP in decisions 1/CP.16 and 12/CP.17, the European Union proposed several participation requirements, inter alia, a description of the contribution of REDD-plus activities to NAMAs; a national REDD-plus strategy or action plan that links to relevant policies and programmes such as national forest programmes and Forest Law, Enforcement, Governance and Trade (FLEGT) systems, an agreed scope, methodology and quantifiable baseline for the provision of finance for results-based actions, and fiduciary and institutional arrangements.

71. The LDCs highlighted the urgent funding needs of these countries to enable them to prepare and undertake actions relating to REDD-plus where large financing gaps remain. They noted that funding for REDD-plus actions should be channelled through in national programmes and infrastructure that directly provide support to communities dependent on forests and that the rights and privileges of these communities be recognized and protected. Besides the need for sufficient, predictable, stable and sustainable funding to halt forest loss, Mozambique added the importance of offering alternative livelihoods and ensuring food security. Malawi, being an LDC, indicated that payments must be sufficient to attract the interest of service providers and to help alleviate poverty. Hence, payments should ensure a margin over and above the actual incurred costs.

72. Honduras is of the view that positive incentives for undertaking REDD-plus activities should cover the lost incremental benefits due to the reduction of deforestation, including direct and opportunity costs. Financing should also cover the three phases of national preparation, implementation and monitoring. It identified other areas of concern that would require positive incentives or financing. These areas include the following: a

clear, transparent, consistent and enforceable regulatory framework; capacity-building at the national, sub-national and local levels; technical assistance and technological support to key forestry stakeholders; microfinance; PES, including non-carbon services; eco-labelling; tax incentives to value-added forestry products; forest conservation grants; long-term loans and economic diversification.

73. *Elements of REDD-plus implementation*: A number of Parties, including Brazil, Colombia, Costa Rica, Honduras and Mexico, European Union, Guyana, Indonesia, Japan, Malaysia stressed the need to develop the elements in decision 1/CP.16, paragraph 71, as a participatory requirement for REDD-plus activities as being eligible for financing.[20] Parties such as the European Union, Japan and Malaysia also expressed the view that finance should be provided for REDD-plus actions, which are fully measured, reported and verified, and which ensures that all the safeguards in decision 1/CP.16, appendix I, paragraph 2, are addressed and respected. Indonesia noted that the modalities and procedures for the financing of the full implementation of results-based REDD-plus actions should take into account relevant provisions and modalities for forest reference emission levels/forest reference levels and guidance for a system for information provision on safeguards as referred to in decision 12/CP.17, as well as the provision on MRV of actions and of support as agreed by the COP.

74. The COMIFAC countries shared their concern that a future REDD-plus mechanism may only assess results in terms of emission reductions. They noted that many countries in the Central African region have had low historical deforestation rates. Hence, financing for the full deployment phase of REDD-plus must fully recognize the benefits of past and present sustainable forest management and conservation efforts. Indonesia suggested that a mechanism be provided to ensure adequate incentives for countries with significant carbon stocks but lower deforestation rates that they may deviate from future deforestation and emission pathways.

75. According to the Coalition for Rainforest Nations and Guyana, any post-2012 agreement should recognize the need to include high forest cover countries, which have maintained very low historical rates of deforestation through the sustainable management of their forests. They proposed that such developing country Parties will provide information on their developmental adjustment.

76. Saudi Arabia raised the issue that not all countries, particularly those that lack water sources and fertile lands, would be able to practise REDD initiatives. Their concern is that a clear dichotomy between the developing countries receiving funding for REDD and those without the capacity to do so would result. Countries with large deserts will be left out of this mitigation process and this would also widen the gap between developing countries and the opportunities available to them. On a similar note, Mozambique stated that forests are considered to be available natural resources used for economic development. Unfortunately, in dry forests, the volume of biomass/carbon stocks per area is more limited than other types of forests. The extensive pressures on the dry forests, coupled with the limited availability of water sources needed for survival and growth, Mozambique estimates that it would entail higher costs and risks to implement REDD-plus activities. This would also imply that there would be fewer opportunities to receive incentives from market mechanisms, despite the huge needs.

77. Malawi noted that the mobilization of REDD-plus funds is vital to enable and facilitate developing countries in taking readiness actions such as policy development, development of forest reference emission levels/forest reference levels, national monitoring systems and the implementation of demonstration activities. Honduras considers that financing should cover the three phases.

[20] Refer also to decision 2/CP.17, paragraph 64.

78. *Addressing drivers of deforestation and forest degradation:* Several Parties, including Costa Rica, European Union, Honduras, Malaysia, Mozambique, Norway, highlighted that financing for results-based actions should address the drivers of deforestation and forest degradation. A number of Parties indicated how market-based and private-sector financing could contribute to addressing such drivers of deforestation and forest degradation.

79. Honduras noted that financing should address the direct and indirect causes of deforestation and forest degradation in developing countries. One of the foundations of the Joint Mitigation and Adaptation Mechanism proposed by Bolivia (Plurinational State of) is to contribute to the tackling of contextual conditions and the underlying causes of deforestation and forest degradation, taking into account the specific needs of the local, regional and national levels.

80. Malaysia stated that any investments through bilateral and market-based mechanisms should be shifted towards addressing the drivers of deforestation and forest degradation. The European Union proposed that the private sector be invited to help address the drivers of deforestation and degradation. The Philippines and Switzerland noted that their Philippine–Swiss initiative "towards building a governance framework for REDD+ financing" enables involvement of the private sector because private capital and market-based approaches can help to shift current investments away from destructive activities that drive deforestation and forest degradation.

81. *Financing non-carbon benefits and/or co-benefits*: A number of Parties noted that financing for REDD-plus activities should not only target effective emission reductions and results-based actions, but there should be also recognition of the non-carbon benefits as well as related capacity-building and sustainable livelihood needs.

82. The European Union noted that one of the aims of the scaling up of international support and the mobilization of adequate and predictable funding for REDD-plus action is to preserve and enhance other benefits of forests such as poverty alleviation, biodiversity, restoration and resilience of forest ecosystems and the services they provide, and to recognize the linkages between adaptation and mitigation, in line with international commitments and objectives. Norway is of the opinion that systems to ensure that REDD-plus actions contribute to rural development, benefit broad stakeholder groups, reduce poverty and protect the local environment should be established as an element of the REDD-plus readiness preparation.

83. Honduras and Malawi stated that the valuation of conservation and ecosystem services in monetary and non-monetary terms should be an integral part of any policy incentives for REDD-plus activities. The Joint Mitigation and Adaptation Mechanism of Bolivia (Plurinational States of) reinforces the principle that the environmental functions of the forests must not be converted into commodities and the understanding that forests are much more than mere reservoirs of carbon.

84. The Philippines and Switzerland proposed the establishment of a policy framework for REDD-plus that facilitates revenue generation from a variety of sources such as forest/livelihood-related products, payment for environmental services and carbon markets. Malaysia stated that bilateral financing or a market-based mechanism should further strengthen markets for goods and services that protect forests and create a local economy that values ecosystem protection. Honduras proposed that financing for results-based actions should explicitly include financial support to alleviate the fiscal impacts of the establishment of positive incentives, and cover the lost incremental benefits, including direct and opportunity costs.

85. Norway noted that forests are more than carbon and it would be open to considering ways to promote payment schemes for ecosystem services other than carbon, which would

be structured through appropriate international frameworks and/or legal bodies. In lieu of a system of payment for such ecosystem services currently being in place, the payments based on carbon remain the best financial lever for preserving forest biodiversity at scale and to promote social justice and development. The COMIFAC countries noted that the full recognition of REDD-plus co-benefits may require additional work to establish relevant MRV modalities. These countries stressed that they are interested in exploring new approaches to better recognize REDD-plus co-benefits, including through the development of MRV modalities that ensure the recognition of these co-benefits.

D. Governance elements/institutional arrangements

86. Several Parties described guidance, either by national governments, the COP or an international process, relating to the governance of results-based payments and disbursement of such payments. In particular, Parties identified several types of bodies that could be established under the guidance of the COP to guide and coordinate the allocation of financing for REDD-plus actions and activities. They further proposed the development of registries to record verified emission reductions achieved and transactions made to ensure transparency and the avoidance of double counting. This section briefly describes these proposals by Parties. Further elaboration of all proposals by Parties mentioned in this section, as provided in their submissions, can be found in annex III, table 6.

87. *Guidance relating to governance*: The European Union and Norway called for fiduciary and institutional arrangements to be put in place in order to qualify for results-based financing. Norway added that these arrangements, national or international, would be necessary to receive and manage payments according to international standards. The Philippines and Switzerland emphasized that investors decide on their REDD-plus investments based on their level of confidence in regulation and governance. As part of sound fund management, these two countries stressed that the principles of good governance such as transparency, accountability, equity, participation, effectiveness and efficiency, should be applied regardless of the source of financing. The application of these principles would also encourage the private sector to become a major source of financial capital for REDD-plus activities. In addition, governance of these market- and non-market-based funds should also demonstrate compliance with social, environmental and governance safeguards so as to attract and sustain investment. Credit ratings should ostensibly be related to how effectively safeguards are being addressed and respected and the manner in which robust and transparent measurement, reporting, and verification is conducted.

88. *REDD-plus regulatory body*: The Coalition for Rainforest Nations proposed the creation of a regulatory body under the guidance and authority of the COP to ensure environmental integrity, balance and the settlement of any dispute that may arise in the implementation phase of REDD-plus. The body will also coordinate all existing and new market-based mechanisms.

89. *REDD-plus Board*: The Coalition for Rainforest Nations and Guyana proposed the creation of a REDD-plus Board to administer the public funds for the implementation of REDD-plus activities under a new REDD-plus window in the GCF. These Parties elaborated on the terms of reference for the design of this Board and noted that the modalities, procedures, tasks and functions of the Board should be adopted by the COP at its eighteenth session.

90. Brazil and the United States expect that the GCF Board will define the scope and modalities for financing, as well as the allocation of resources across a variety of activities, but note that the GCF Board, may seek expertise and input on modalities and procedures for results-based financing for these activities.

91. *REDD-plus technical panel*: To facilitate finance allocation and assist the operating entities of the financial mechanism of the Convention, China proposed a REDD-plus technical panel with equal distribution of members from developing and developed countries. This panel would assess the feasibility of the proposed REDD-plus actions submitted by a developing country based on rules and formats agreed by the COP and present its recommendations to the operating entities of the financial mechanism under the Convention for final approval. The delivery of results-based REDD-plus finance should be paid in instalments to the governments of developing countries based on the results achieved.

92. *Coordination*: Bolivia (Plurinational State of) elaborated two levels of coordination for their Joint Mitigation and Adaptation Mechanism. Coordination at the international level is necessary for establishing dialogue between developed and developing countries to promote the flow of public funding. At the national level, coordination will also need to take place, involving local and indigenous peoples' representative organizations and the revision of the national policy framework for addressing the drivers of deforestation and forest degradation.

93. *Registry*: In order to avoid double counting and to ensure credibility and transparency, many Parties, including the Coalition for Rainforest Nations, Colombia, Costa Rica, Honduras and Mexico, Costa Rica, and Norway, highlighted the need for international and/or national registries. According to Colombia, Costa Rica, Honduras and Mexico, a Party shall establish a national REDD-plus registry to account for the verified emission reductions and carbon stock enhancements (REDD-plus units) that it holds, transfers or cancels. Such information will also be transmitted to the UNFCCC REDD-plus registry. Norway emphasized that a registry of all transacted volumes (an international registry potentially supplemented by national registries) is crucial to avoid double counting. As part of a process to improve market price stability, the Coalition for Rainforest Nations proposed that a registry be set-up where the secretariat would record the following: the agreed reference emissions or removal level, projected emission reductions or removals, request for early crediting, and when achieved, the periodic or annual realized emission reductions or removals.

94. *REDD-plus units*: Linked to the proposal of a registry is the creation and issuance of REDD-plus units. According to Colombia, Costa Rica, Honduras and Mexico, REDD-plus units may be used for obtaining incentives, provided that it can be demonstrated that the emission reductions and enhancement in carbon stocks of these units are not already receiving results-based incentives from sources outside the Convention or that these units have not been used for compliance purposes in any carbon market arising from a legally binding mitigation regime. The recording of such information would be the central role of the registry. These countries also elaborated further details on the use and accounting of REDD-plus units for compliance. In addition, Costa Rica expressed the view that emission reductions and the enhancement of forest carbon stocks as a result of NAMAs must be eligible for generating REDD-plus units, independent of the funding source. REDD-plus units must also be widely recognized as a mechanism for achieving the national emission reduction level, to increase private funding and to promote improvement in the implementation of REDD-plus activities over the long term.

95. *Reporting and review*: Colombia, Costa Rica, Honduras and Mexico proposed procedures for developing countries wishing to obtain REDD-plus units and results-based incentives. Developing countries shall have to submit a REDD-plus performance report on monitored emissions and removals to a review body established by the COP. This review body will review the report based on guidance established by the Subsidiary Body for Scientific and Technological Advice (SBSTA) and will decide whether to approve or reject the report. In case the report is approved, the UNFCCC REDD-plus registry manager shall

issue and register an amount of REDD-plus units equal to the total emission reductions and enhancement of carbon stocks verified by the review body. Once issued, the Party shall be able to convert the REDD-plus units to incentives using one, or a combination of, the mechanisms proposed (fund-based or market-based). They added that Annex I Parties shall provide additional resources to cover the costs of the preparation of such report. The contents and format of the performance report should be defined by the SBSTA.

96. *Benefit-sharing arrangements*: Several Parties (Bolivia (Plurinational State of), Brazil, China, Colombia, Costa Rica, Honduras and Mexico, Costa Rica, India, Indonesia) expressed the view that benefit-sharing arrangements should fall under the authority of the implementing developing country. Table 4 below provides a synthesis of the views of these Parties on benefit-sharing resulting from REDD-plus activities.

Table 4
Views on benefit-sharing

Party	*View expressed*
Brazil	Benefit-sharing arrangements should be determined independently by developing countries as means of recognizing the role of different sectors in achieving results at the national level, as well as to stimulate consistent and durable REDD-plus results
China	Use of a country's domestic finance allocation system to disburse the results-based REDD-plus finance received from the operating entities of the financial mechanism of the Convention. This disbursement should be done in a timely, open, transparent, appropriate and participatory manner to local people, small landowners or the poor who are implementing the REDD-plus actions in the field
Colombia, Costa Rica, Honduras and Mexico	Benefit-sharing arrangements, as determined by countries, should ensure equitable compensation to relevant landowners/ stewards and other relevant actors
Costa Rica	Endogenous distribution of benefits must ensure the full and effective participation of indigenous peoples and local communities
Honduras	Having initiated the analysis of the diverse positive incentives and policy approaches to be included in its national strategy, Honduras considers that the financing of results-based actions should explicitly include financial support at the national level (budgetary support) to alleviate fiscal impacts of the establishment of positive incentives and the reduction of income due to diminished agricultural activities
India	The host country will decide on benefit-sharing among the various stakeholders, including local communities. It added that this shall be done in accordance with a set of guidelines to be developed and finalized in an open and transparent manner involving all stakeholders, including civil society, marginalized groups and women
Indonesia	National entities should have direct access to international funds and investments and the role of national governments should be recognized. This would ensure coherence and integrity of all efforts within the countries such as addressing national level issues and ensuring fair distribution of benefits and responsibilities of all relevant stakeholders, including local communities, in REDD-plus implementation

Party	*View expressed*
Pakistan	Supports the empowerment of women in its policies and that it integrates gender consideration in all its economic sector programmes. However, the distribution of credits and benefits from REDD-plus actions on the basis of gender is a complicated issue

97. Bolivia (Plurinational State of) highlighted in its proposal on a Joint Mechanism that the funding of mitigation and adaptation actions in developing countries should be developed in a direct, expeditious and immediate way, according to national strategies and priorities, which fully respect the sovereignty and national capacities of developing countries. They suggested that the provision of financial resources should support the creation and strengthening of local institutions, initiatives and actions, the production of forest products, individual families, communities and local governments that meet the targets for reduced deforestation and forest degradation, and the development of the monitoring of forests at multiple scales. Details of their proposal can be found in annex III, table 6.

E. Methodological elements

98. This section presents the methodological elements that should be considered in or linked to the development of modalities and procedures for the financing of the full implementation of results-based REDD-plus actions. In their views relating to methodological elements, Parties mainly referred to the elements already agreed to in decisions 2/CP.13, 4/CP.15, 1/CP.16 and 12/CP.17 such as MRV, forest reference emission levels/forest reference levels, and the risks of reversals and the displacement of emissions.

1. National forest monitoring and measuring, reporting and verifying

99. The majority of the Parties in their submissions recalled the provisions in decisions 2/CP.13, 4/CP.15, 1/CP.16 and 12/CP.17, noting that the provisions in these decisions would have to be met when implementing REDD-plus activities. Most Parties indicated that in order to be eligible for results-based finance, actions relating to REDD-plus should be fully measured, reported and verified, including having in place the elements referred to in decision 1/CP.16, paragraph 71 (refer to paras. 73–77 above). In many of the submissions, Parties highlighted the important roles of national forest monitoring systems and MRV systems when implementing results-based REDD-plus activities. Their elaborate views on methodological elements are presented in annex III, table 7. In addition to recalling previous decisions of the COP, Parties also provided specific views relating to methodological elements that would need to be considered when considering financing for results-based actions.

100. Brazil, Colombia, Costa Rica, Honduras and Mexico, European Union, Guyana, Japan, Norway share the view that finance should be provided for REDD-plus actions for which the emission reductions are fully measured, reported and verified and that forest reference emission levels and/or forest reference levels are in place. A few of these Parties, including Colombia, Costa Rica, Honduras and Mexico, European Union, Japan, Norway, also stated that all the safeguards must have been addressed and respected. However, Japan added that as the results of REDD-plus actions would be potentially diverse depending upon national circumstances, maintaining comparability of the results is important.

101. *Linkages with NAMAs*: Guyana stressed that forest monitoring systems and the reporting of results-based actions need to be consistent with the MRV guidance agreed for NAMAs and that reporting should take place through national communications and biennial

update reports. The European Union listed a description of the contribution of REDD-plus activities to NAMAs as one of the participation requirements.

102. *Emission reduction estimates:* In order to encourage broad participation by developing countries, maximize near-term mitigation potential and promote learning for future upscaling, Norway proposed that conservative estimates of emission reductions from REDD-plus activities be used in the interim period before more accurate measurements are possible. This would also allow for early access to results-based payments while incentivizing the continuous improvement of the assessment of emission reductions over time. These emission reductions, after appropriate discounting, should also become qualified to enter into the compliance markets in the future.

103. Based on its country experience with results-based finance tied to annually verified emission reductions under the Amazon Fund, Brazil noted in its submission that emission reductions have been calculated using reliable and consistent rates of deforestation since 1988 and are based on the use of a conservative value for the above-ground carbon stocks. The Coalition for Rainforest Nations proposed that emission reduction units earned under an agreed national reference emission level, which are fully measured, reported and verified, should be guaranteed direct market access, fully fungible with assigned amount units (AAUs) and transacted at a price equal to those credits transacted by Annex I Parties.

104. *Units of measurement*: India proposed a set of units to be used in REDD-plus. A unit for assessing the areal extent of deforestation would be expressed in hectares, while a unit for assessing carbon stocks that are lost, extracted, conserved, stabilized or enhanced would be expressed in metric tonnes of dry biomass. However, India is of the opinion that the resultant effect of actions leading to emission reduction, removal or the conservation/stabilization of forest carbon stocks will be expressed in units of tonnes of carbon dioxide equivalent (t CO_2 eq).

105. *Verification*: According to Guyana, the verification of REDD-plus actions should also be consistent with the MRV agreed for NAMAs, and should be undertaken following the modalities and guidelines for international consultations and analysis as referred to in annex IV to decision 2/CP.17.

106. Norway noted that for emission reductions to be counted against commitments agreed under the UNFCCC, verification should be standardized. Based on these agreed standards, verification can take place either under a central process under the secretariat, through designated operating entities used in the CDM or through a third party independent verification process. Since full agreement on verification is expected to take time, it should not be a precondition for establishing near- and medium-term demand for REDD-plus credits.

107. The Coalition for Rainforest Nations, the EU and Norway noted that the verification of REDD-plus actions should be independent.

108. According to Japan, REDD-plus is expected to effectively deploy multiple functions of forests and social and environmental safeguards, beyond carbon aspects. It is its view that these efforts should be appropriately assessed in combination with qualitative and quantitative manner and that these assessments should be taken into consideration in results-based finance.

109. *Challenges to measuring and verifying*: Saudi Arabia highlighted the major challenge in estimating accurately the CO_2 stored in or leaked from a tree, a hectare of land or a forest, as forests vary tremendously in their characteristics in different countries, and hence this affects baseline calculation. It also noted the challenge in setting up a detailed and unified monitoring system with clear monitoring procedures and descriptions. Continuous amendments and changes to such a system would only create instability and

make MRV extremely difficult to undertake. Saudi Arabia is of the view that although it is difficult to address these technical concerns in economic terms, this should be done before addressing financial issues.

110. *Forest reference emission levels and/or forest reference levels*: Parties, including the Coalition for Rainforest Nations, the European Union, India and Norway, provided views on the development of forest reference emission levels and/or forest reference levels and acknowledged that the setting of these reference levels should take into account the provisions agreed by the COP.

111. More specifically, the Coalition for Rainforest Nations proposed the application of a development adjustment to the reference emissions or removal level, either elevated or reduced, which would take into account the divergent development levels and respective capabilities of the different REDD-plus countries. The European Union proposed the application of a quantifiable baseline for the provision of finance for results-based actions, which differ from forest reference emission levels and/or forest reference levels to ensure environmental integrity.

112. These Parties and India also noted the need for an independent review of the proposed forest reference emission levels and/or forest reference levels. Reference levels should either be assessed over a period of five years (Coalition for Rainforest Nations) or be subjected to periodic review (Norway). Norway added that a periodic cumulative review of all approved reference levels and incentive levels is necessary to ensure an effective, efficient and equitable incentive structure, and to avoid a situation where results-based finance would be provided without a reduction in global deforestation rates.

2. Addressing risks of reversals and displacement of emissions

113. It is widely accepted that there are risks of reversals associated with forests and the mitigation actions relating to forests. Among the safeguards for activities relating to REDD-plus in appendix I to decision 1/CP.16 is that implementing Parties need to include actions to address the risk of reversals and actions to reduce displacement of emissions. In addition, in order to obtain and receive results-based finance, developing country Parties should also have in place the elements identified in decision 1/CP.16, paragraph 71, which includes a system for providing information on how all the safeguards are being addressed and respected throughout the implementation of REDD-plus activities. Several Parties provided proposals on possible ways to address these risks.

114. According to the Coalition for Rainforest Nations and Guyana, since the Convention considers only anthropogenic greenhouse gas emissions, they are of the view that emissions resulting from extreme weather events and natural disasters affecting forest areas should be excluded from consideration in any REDD mechanism.

115. Colombia, Costa Rica, Honduras and Mexico provided several proposals on how to deal with the risks of reversals to ensure the environmental effectiveness and integrity of any REDD-plus mechanism and REDD-plus units that are issued as a result of actions taken. They proposed the following:

(a) The establishment of REDD-plus unit reserves at the national and/or subnational levels, the size of which shall be determined by methods to be developed by the SBSTA;

(b) The creation of an insurance system in which any reversals shall be compensated for with an amount of any valid UNFCCC mitigation unit equal to the loss incurred, instead of a monetary compensation;

(c) Any other approach that might arise from the ongoing discussion on non-permanence under the CDM, if applicable.

116. These Parties added that before being able to participate in the REDD-plus incentive mechanism, a Party shall inform the secretariat about the approach(es) it has selected to deal with reversals. In addition, before being granted any incentives in exchange for its REDD-plus units, the Party shall provide proof that the requirements established by the SBSTA for the application of the selected approach(es) have been met (e.g. an insurance contract, or a REDD-plus units reserve, covering the amount of units to be converted to incentives).

117. Costa Rica shared a similar view and added proposals such as the establishment of a buffer per country, insurance that could be measured in terms of REDD-plus units or monetary compensation, and any other approach established by the Convention.

118. Saudi Arabia brought up the issue of liabilities and that developing countries are not able to assume the long-term liabilities associated with the lengthy lifespans of plantations and forests. Since within such a long time frame, natural disasters, changing of political administrations and bankruptcies could take place, making long-term liabilities and accountabilities invalid.

119. In terms of the risks of investment, Norway is of the view that decision 2/CP.17 did not provide a clear signal to developing country governments and the private sector that the short-term risks and liabilities of taking REDD-plus actions are worth accepting. It is of the view that continued and scaled-up donor support will be absolutely critical to allow for continued progress on readiness (phase 1) and reforms and early incentive payments in phase 2 of REDD-plus.

120. In terms of addressing the displacement of emissions due to REDD-plus actions, Colombia, Costa Rica, Honduras and Mexico suggested that a Party implementing REDD-plus actions at the subnational level as an interim measure shall monitor the emissions, if appropriate, and report on how this displacement of emissions is being addressed.

121. Saudi Arabia noted that it is essential to establish an insurance model for REDD in case of leakage (in situations such as forest fires, floods, hurricanes, landslides, etc.). It added that while an insurance model can be established in the meantime, the allowances paid during the present period will not be applicable in the middle or long terms.

F. Conditions for results-based payments

122. *Conditions for results-based payments*: Several Parties elaborated on certain conditions that must be met before payments can be made. For example, emission reductions must be verified and all the safeguards must be addressed and respected in order to receive results-based payments. A few Parties also proposed how such finance should be delivered and to where the payments should be channelled. In addition, some of the Parties stated that incentives should be agreed upon in advanced, while others proposed the development of payment rates or factors.

123. Norway highlighted that priority should be given to the clarification of how reference levels would be translated into incentive payments. It is of the view that results-based payments be provided for verified emission reductions measured in t CO_2 eq per year relative to an agreed 'incentive level'. Emission reductions relative to the 'incentive level' do not necessarily mean absolute reductions, for example countries with high forest cover and low deforestation could receive payments to maintain that low level of deforestation. According to Norway, ex post payments for verified emission reductions are the best way to incentivize emission reductions in REDD-plus. It believes that such incentives would motivate improvements in the enabling environment. At the same time, strong provisions on safeguards must be a requirement for such payments, hence up-front support may be

needed to ensure the effective application of the safeguards. It noted that putting a price on forest carbon through predictable demand is the best option available to ensure that the objective of reduced emissions at a global scale is reached.

124. China expressed the view that the delivery of results-based REDD-plus finance should be paid in instalments to the governments of developing countries and should be based on the results achieved. These developing country governments should also be provided with a certain amount of up-front funding for their initial activities, such as capacity-building and establishing forest carbon monitoring systems (refer to para. 96 above and table 4). In addition to meeting the provisions of decisions 1/CP.16 and 12/CP.17, Norway proposed that, to get access to incentive payments, developing countries will need to, inter alia, channel REDD-plus revenues towards the implementation of their publicly available national climate compatible development strategies formulated through inclusive, transparent, multi-stakeholder strategies and preferably anchored in national legislatures.

125. The United States expects that decisions regarding financing and the specific operational modalities and procedures will be made by the financing entities or institutions. As with other sectors, there are likely to be different financing arrangements agreed to by various combinations of suppliers, in this case REDD-plus countries, and investors or buyers. Donors or investors may choose to define results in different ways, measure performance according to varying standards, and seek to verify these results by different means. Individual jurisdictions might choose to design offset programmes that may utilize locally developed standards and methodologies.

126. *Pricing*: India defined incentives in terms of money per unit of emission reduction, removal, or stabilized/conserved forest carbon stocks. The minimum price of one unit of CO_2 eq for emission reductions, removals and stabilized/conserved forest carbon stocks will be fixed as agreed by the Parties. Malaysia also shares this view that incentives in terms of money per unit of emission reduction or removal must be fixed in advanced by the Parties. India further elaborates that these accounts will be compiled at the national level and submitted to the secretariat on a voluntary basis. India is of the view that the incentives will be directly disbursed by the UNFCCC to the national governments concerned.

127. On the other hand, Malawi noted that there is a need to differentiate payments according to ecozones and circumstances. It proposed that payment rates or factors should be set according to the opportunity cost of service providers, threats to the forests and the potential of services to deliver mitigation benefits. The Coalition for Rainforest Nations and Guyana recommended agreement on price floors that could be independently supported from the revenues generated from AAU auctions. This could encourage broader participation by guaranteeing the livelihoods of rural and indigenous communities. The coalition further recommended that developed and developing country Parties should collaborate to encourage general price stability with global carbon markets. Improving market price stability would promote both technological transformation and incentives for emission reductions in developing countries.

1. Period of accounting

128. As part of their views on tracking and accounting the amount of emission reductions and removals resulting from REDD-plus activities, several Parties provided proposals on the types of accounts to be created and the recognition of early action taken. (Refer also to paras. 93 and 94 above and annex III, table 8.)

129. The Coalition for Rainforest Nations elaborated three separate accounts:

(a) National trust accounts: These independently governed trust arrangements will facilitate the addressing of funding inflows, fund management and disbursement

commitments in a transparent manner. They may improve participation by domestic stakeholders, donors and market participants;

(b) Reserve accounts: A proportion of realized emission reductions or removals could be maintained in reserve on a periodic or annual basis. The aim is to provide a buffer against future emissions that are greater than the reference emission level or to fulfil shortfalls by other REDD-plus countries;

(c) End of term accounting: At the end of an agreement period, any final quantity of emissions above the reference emission level could be deducted from any remaining national reserve accounts or transferred to a subsequent international agreement on climate change.

130. These same Parties also called for the setting up of a REDD settlement account. The purpose of such an account is to improve global carbon market price stability. These Parties proposed that on a periodic or annual basis, the secretariat would proportionally deduct the total of the agreed requests for early crediting and the projected emission reductions or removals from the respective AAUs allocation of Annex I countries, in an equitable manner. They also elaborated on the sales of verified emission reductions and steps to address shortfalls and the oversupply of realized emission reductions. (Refer to annex III, table 8, for further details of this proposal.)

131. India defined the scope of accounting as the compilation of forest carbon stocks of the entire country at the national level. These forest carbon stocks comprise those from (i) the forest cover and (ii) trees outside forest (ToF) in the country. It added that the selection ToF will be optional for a developing country. Once accounted for in the first accounting period, the accounting of both forest carbon stocks of forest cover and ToF shall continue for the subsequent accounting periods. It further noted that the beginning and duration of the first accounting period will be determined by the Parties. Likewise, Malaysia is of the view that carbon accounting on the emission reductions and removals will be compiled at the national level and that developing country Parties submit these to the secretariat on a voluntary basis.

132. In Saudi Arabia's view, the period for REDD activities does not have a time frame. Plantations and forests could last hundreds, if not, thousands of years. Even if there would be an accounting mechanism, according to Saudi Arabia, it is not possible to compare present accounting prices with those tens or hundreds of years later. If a country wishes to dismiss a treaty and deforest an area 100 years later, the price variation due to leakage would be considerably different and the allowances given at present would not be affected. It also expressed its concern that forest degradation due to climate change could turn areas designated for REDD activities into savannahs, even without human interference. It holds the view that it could present a future liability issue.

2. Early action

133. Many developing countries are of the view that the early actions taken by them should be recognized, and hence, be eligible for results-based payments and be permitted to be used for meeting future emission reduction commitments. The Coalition for Rainforest Nations proposed that emission reductions undertaken before 2012 that are subsequently integrated into a national accounting system should be permitted for use in achieving future compliance by Annex I Parties, subject to an independent review by expert teams supported by the secretariat (applying the precedent granted to the CDM in the Kyoto Protocol).

134. In order to establish immediate incentives, Colombia, Costa Rica, Honduras and Mexico proposed that emission reductions and enhancements in carbon stocks resulting from actions started after 14 December 2007 with respect to any registered reference emission levels and reference levels shall be eligible for issuance of REDD-plus units

provided that participation requirements are met (refer to paras. 93–95 above). Malaysia also stated that early REDD-plus actions shall not be marginalized.

135. Adding to their proposal on a REDD-plus registry and the submission of a REDD-plus performance report to a review body under the COP for approval, Colombia, Costa Rica, Honduras and Mexico also noted in terms of accounting, that any Party holding REDD-plus units may decide to cancel these units by requesting the manager of the registry to forward them to its cancellation account. In this case, these cancelled units shall be recognized as a net contribution of that Party to climate change mitigation. REDD-plus units shall also be cancelled once they have been converted into fund-based incentives or used for compliance with emission reduction commitments under the UNFCCC.

G. Views by admitted observer organization on key substantive elements relating to modalities and procedures

136. This section presents the views of admitted observer organizations on the key substantive elements relating to modalities and procedures. The presentation of observer views follows the structure of the earlier sections relating to key substantive elements elaborated by the Parties (chapter III, sections C–F).

1. Policy elements

137. *Elements of REDD-plus implementation (safeguards)*: CMIA, EDF and the group of observer organizations it represents, FERN and the group of observer organizations it represents, IETA and WWF noted and supported the importance of complying with the relevant provisions for safeguards relating to REDD-plus activities. CMIA stressed that strong safeguards are important to the private sector. IETA emphasized that clear international policies for environmental and social safeguards are crucial for building investor confidence and engaging communities in REDD-plus actions. IETA encouraged strongly further dialogue toward striking the right balance between ensuring a minimum and robust level of internationally recognized safeguards and recognizing the role of sovereigns in implementing REDD-plus policy.

138. *Drivers of deforestation and forest degradation*: CMIA provided the view that innovative new market designs could create incentives for governments and the private sector to alter unsustainable land-use choices inherent in many existing commodity markets. REDD-plus finance provides a set of alternative revenue streams that meet the incremental costs needed to shift practices over the longer term to those that will keep forests intact. It added that REDD-plus activities should engage those responsible for the major drivers of deforestation such as agriculture and timber sectors. It is of the view that the ongoing work on certification standards for sustainable commodity production and procurement is key and must continue. These efforts need to be integrated with increased demand-side action by developed countries and sustainable commodity initiatives with other REDD-plus activities. FERN, in its submission on behalf of a group of observer organizations, noted that diverting financial resources away from the underlying causes of deforestation and forest degradation and focusing solely on results-based payments, defined in terms of quantified emission reductions measured against baselines, is highly likely to result in the ultimate failure of REDD-plus actions. This group of organizations emphasized that the key requirement is not money (as has often been the primary focus of the current REDD-plus debate) but a clear action plan to address the underlying drivers of forest loss coupled with sufficient political will to implement the plan.

139. Sustainable Population Australia requested in its submission that population growth be acknowledged as a major driver of deforestation and forest degradation. It expressed

concern that the language around "financing results-based actions" may target short-term outcomes that are unsustainable in the long-term too narrowly, while neglecting actions that effectively reduce drivers of deforestation. In addition, international trading of carbon permits was viewed as an extremely poor mechanism for funding forest conservation because of its emphasis on outcomes rather than drivers and it does not support community development interventions. The organization suggested that the population, health and environment programmes be looked at as an appropriate model for integrating population in conservation and development, including health and livelihood needs.

140. *Financing non-carbon and/or co-benefits*: The World Bank Group expressed the view that additional and significant environmental and social benefits (e.g. adaptation benefits and the building of resilience of the environment and communities) from the implementation of REDD-plus activities are strong incentives for local participation, improving programme performance and maintaining permanence, hence, reward options (including finance) should be considered. It noted that the recognition of and reward for such benefits may impose monitoring needs and the resource implications of monitoring have to be assessed. CMIA noted several integrated schemes that involve the public and private sectors in forest and biodiversity conservation. Examples of such schemes include the following: (i) the Business and Biodiversity Offsets Programme representing a partnership between companies, financial institutions, governments and civil society organizations exploring biodiversity offsets; (ii) the Green Development Initiative, which aims to facilitate private sector support for conservation and responsible use; and (iii) the Forest Footprint Disclosure Project in which the corporate sector is requested to report to investors the management of their exposure to deforestation.

141. On the other hand, the Global Forest Coalition, in their views on scaling up biodiversity finance and innovative financial mechanisms, expressed the view that ecosystem services are difficult to convert into commodities and that commodification could pose political, ethical, social and cultural, and environmental risks. The coalition expressed the counterview that PES are a significant financial burden on public budgets rather than a funding mechanism as PES force governments to pay for compliance with and monitoring of environmental policies.

142. Refer to paragraphs 78–85 above for the views of Parties on these issues.

2. Governance elements

143. FERN and a group of observer organizations noted that the governance of a financial mechanism, including transparency, accountability, participation, effectiveness, efficiency and equity, will be an important element in determining the cost-effectiveness and impact of REDD-plus finance. Theft and misappropriation of REDD-plus funds are very real risks but such risks can be reduced by tying financing to support national implementation, including the reform of institutions and the legal regime at the national level. They added that there is a need for effective oversight of REDD-plus funds including transparent, participatory and effective institutional structures and the strengthening of institutional capacity. This group proposed a more pragmatic approach to counteract the shortfalls and risks associated with carbon baselines by defining performance criteria that focus on indicators of governance, institutional and legal reform and performance in implementing the safeguards. Country-specific indicators will need to be developed through inclusive, participatory multi-stakeholder national processes.

144. CMIA recognized that robust governance of all participants, including financial governance of domestic delivery agencies and regulation of any private sector entities authorized to participate, is an essential requirement for results-based finance to flow. IETA called for administration and oversight of a REDD-plus mechanism. According to the association, it is critical that an institutional framework should be able to effectively and

efficiently meet the administrative and regulatory requirements of a REDD-plus mechanism in a predictable way. This is essential in building confidence for future market participants.

145. *Registry*: Both EDF on behalf of a group of observer organizations and WWF support the need for a registry for REDD-plus. According to EDF and supporting observer organizations, a greenhouse gas and finance registry is a fundamental piece of the REDD-plus system. The main purpose of an emissions registry is to provide an independent record of emission reduction performance and financial flows. An international REDD-plus registry under the Convention with strict and transparent standards would ensure the quality of measurements, consistency of approaches, comparability of tonnes and overall integrity of the mechanism. A registry would also ensure credibility and accountability to stakeholders on the ground (e.g. local communities) and to investors, regulators and the international community by avoiding double counting or double selling of reductions. On a similar note, WWF supports the immediate development of a REDD-plus finance climate registry as part of the climate registry agreed to in decisions 1/CP.16 and 2/CP.17 (refer to para. 93 above). According to WWF, a registry would help foster the scaling up of REDD-plus financing through facilitating the matching of supply and demand of funds; adding transparency to the financial flows; promoting comparable standards and best practices; and collecting the basic information needed for assessing and guiding the operation of a global REDD-plus system.

146. *Benefit-sharing arrangements*: Another essential element identified by CMIA to ensure the flow of results-based finance for REDD-plus is a transparent and equitable benefit-sharing regime supported by key governance arrangements such as grievance procedures and clear legal rights for stakeholders. The Women's Environment and Development Organization highlighted that gender inequalities obstruct good forest governance and could therefore jeopardize the success and sustainability of results-based actions that depend on the full and effective involvement of relevant stakeholders. The organization proposed that all modalities and procedures should include a preliminary gender analysis to assess the main inequalities that impact women and men at the local and national levels. After such an analysis, tailored options could be proposed to support the establishment of gender-responsive finance schemes.

147. Refer to paragraphs 87, 93 and 96 above for the views of Parties on these issues.

3. Methodological elements

148. *MRV and forest reference emission levels/forest reference levels*: The EDF and a group of observer organizations recommended that a periodic aggregate review of all the reference levels to assess their ability to meet the REDD-plus goal (i.e. whether the reference levels significantly overestimated or underestimated global historical deforestation emission rates) should be conducted by an expert group to assess the extent to which reference levels are able to provide a benchmark in the assessment of REDD-plus performance to reduce global emissions. The aggregate review of reference levels should provide clear quantitative information to the negotiation process for compensation levels and finance. In addition, reference levels need to be credible if financers are to have confidence that their payments are for real and additional emission reductions. The group added that the AWG-LCA should clarify the relationship between reference levels and compensation and establish a process and modalities for providing compensation with reference levels as starting points. Similarly, WWF stressed the need to clarify the link between finance levels for phase three implementation and national forest reference emission levels/forest reference levels and the link between the level of accuracy in the deliverables of MRV systems and the financial mechanisms. They noted that questions remain about the minimum level of accuracy in monitoring and reporting required and whether increased accuracy guarantees increased financial flows.

149. CMIA noted that there is now sufficient progress to enable ambitious Parties to test results-based finance at scale. For example, the association noted that there is a body of material from the decisions of the COP, multilateral initiatives such as the Forest Carbon Partnership Facility and leading voluntary sector standards, such as the Verified Carbon Standard (VCS) and the Climate, Community and Biodiversity Alliance (CCBA), that can underpin the design of accounting and programmatic elements, including reference levels, monitoring systems and safeguards.

150. *Addressing risks of reversals and displacement of emissions*: IETA views the nested approach as an effective mechanism for balancing environmental integrity in emission reductions and providing the necessary incentives to drive private sector investments. The association noted that leakage is addressed at the jurisdictional (larger scale) level to ensure the environmental integrity of projects. It highlighted the "Verified Carbon Standard (VCS) Jurisdictional and Nested REDD Initiative" where projects can use the established jurisdictional baseline when registering for credits and undertake leakage assessment as part of the MRV process. CMIA noted that the technical capacity and possible design elements are available now to address past concerns regarding permanence, leakage and the measurement of changes in carbon stocks. It is of the view that appropriately designed carbon markets have the potential to drive public and private sector investment at scale. The management of leakage and permanence in accordance with internationally recognized standards (such as buffers or conservative discount factors in crediting levels) is another essential element that will ensure the flow of results-based finance.

151. The World Bank Group highlighted that regulatory requirements such as ex ante and ex post assessments of programmes, and how permanence is addressed have direct implications on revenue flows. The group foresees that the treatment of permanence could be less demanding in REDD-plus activities (being implemented at the national level) than for traditional projects, viewing this as a positive that should be secured. They recommended that the use of permanent crediting, the use of buffers and/or insurance products should be considered.

152. WWF suggested that in order to manage the global risk of leakage, countries need to be treated equitably by providing adequate incentives for countries with either low capacity or high forest cover and low deforestation rates to reach the full implementation phase as soon as possible.

153. Refer to paragraphs 99–121 for the views of Parties on these issues.

4. Conditions for results-based payments

154. *Scope and period of accounting*: WWF is of the view that compliance carbon markets can play an increasing role in securing adequate funding for REDD-plus, particularly in phase three on full implementation. They identified several conditions required for compliance markets. These compliance markets can allow offsetting only if the emission reductions are additional, maintain market integrity and avoid double counting and are limited to REDD-plus countries that have reached phase three of full implementation. These markets are also limited to developed countries that have committed to a 40 per cent emission reduction by 2020, as compared with 1990 levels. Offsets must be issued against real emission reductions and not against emission avoidance.

155. IETA believes that creating a REDD-plus crediting mechanism that permits crediting for performance at multiple scales will be critical in attracting the necessary private sector investments and stimulating broader government level policy changes. The association proposed a number of criteria relating to the crediting of emission reductions, including the following:

(a) Using a 'nested approach', which maintains environmental integrity of a national accounting framework by preventing leakage and rewarding performing projects for their REDD-plus efforts;

(b) In addition to steeper targets, the creation of a separate minimum quota for REDD-plus instruments that certain Parties must acquire and that could be used for meeting their emission reduction commitments to ensure a level of demand;

(c) Ensuring fungibility and practical, workable rules will provide a greater incentive for market participants to create, purchase and trade REDD-plus credits, all critical elements in developing a functioning mechanism;

(d) Adoption of a 'prompt start' approach (similar to that of the clean development mechanism) for REDD-plus market mechanisms to encourage deployment of private capital as soon as possible.

156. EDF is of the view that if those REDD-plus activities undertaken immediately will be recognized for future results-based financing, it would incentivize immediate actions. This would require the COP to provide guidance on a starting date as of which REDD-plus reference levels will be used to measure reductions going forward. The reductions as of this date would be recognized directly in future markets and/or used for the purpose of establishing a 'buffer reserve' for ensuring the integrity and permanence of future reductions credited into a market setting. Such a buffer would also increase confidence in the future market value of REDD-plus actions. In addition, interim funding could be generated for countries and regions willing to forward sell reductions or to offer investors the opportunity to reserve reductions, with the option to buy them at a future date. A 'rental with an option to buy' approach can help bridge the gap to 2015, by starting a flow of private funds for REDD-plus initiatives now. However, this will require greater clarity on the eligibility of current and future REDD-plus activities for compensation in future markets.

157. Refer to paragraphs 122–132 above for the views of Parties on these issues.

IV. Linkages with other issues under consideration by the Ad Hoc Working Group on Long-term Cooperative Action under the Convention and further areas of work

158. This section presents the views of Parties on the linkages between the consideration of financing the full implementation of results-based actions relating to REDD-plus and other issues or agenda items being considered by the subsidiary bodies under the Convention, particularly the AWG-LCA. The Parties also identified elements and issues that may need further exploration and elaboration in the context of the consideration of these linkages.

A. Linkages with other issues under consideration by the Ad Hoc Working Group on Long-term Cooperative Action under the Convention

159. In their deliberations at the AWG-LCA sessions and additionally in their submissions, many Parties highlighted the linkages between their consideration of financing for full implementation of REDD-plus actions, and other finance and mitigation related issues being discussed simultaneously under the AWG-LCA. Parties noted the links between this REDD-plus issue with issues being taken up by other agenda sub-items such as "Various approaches, including opportunities for using markets, to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different

circumstances of developed and developing countries" [21] and that regarding "Finance" (which includes consideration of issues under the Standing Committee, GCF and long-term finance).[22] This section presents these linkages as identified by various Parties.

160. The Coalition for Rainforest Nations recommended that all relevant sectors, including REDD-plus, should be considered actively within the context of the ongoing discussions under the AWG-LCA regarding the above-mentioned various approaches.

161. The COMIFAC countries expressed the view that the Standing Committee on Finance should swiftly adopt its workplan. This is necessary to allow it to rapidly establish a governance mechanism for REDD-plus financing that is robust and transparent. This mechanism should have sufficient authority to ensure the additionality of developed countries' financial contributions.

162. These same countries are aware that discussions on alternative sources of funding are being conducted under other agenda items of the AWG-LCA (such as finance, various approaches and a new market mechanism). Consequently, to avoid duplication of efforts, the COMIFAC countries are of the view that it may not be appropriate to have extensive discussions on alternative sources of funding within the REDD-plus group under the AWG-LCA.

163. The United States is of the view that the AWG-LCA consideration of decision 2/CP.17, paragraphs 66 and 83, relating to market mechanisms require further definition on how they will interact and that this should be considered by both the REDD-plus and the various approaches informal groups. The REDD-plus approach that may be developed pursuant to paragraph 66 appears to be most appropriately viewed as a subset of the broader market-based mechanism referred to in paragraph 83. For example, REDD-plus might be one sector to be included as part of a new sectoral crediting mechanism. Therefore, the United States believes discussions relating to paragraph 66 should be premised on work done in relation to paragraph 83. In this context, the United States proposed that careful consideration should be given to the schedule of discussions on REDD-plus finance so as to ensure that these discussions are adequately informed by broader discussions on markets.

164. The European Union stated that the Ad Hoc Working Group on the Durban Platform for Enhanced Action should address the role of REDD-plus in the context of the broader post-2020 arrangements.

B. Further work by the Ad Hoc Working Group on Long-term Cooperative Action under the Convention and the Subsidiary Body for Scientific and Technological Advice

1. Main areas of work for further consideration

165. In addition to identifying linkages with other issues being considered under the AWG-LCA, several Parties also noted other elements that require further exploration and elaboration in order to build a better understanding of the issues. They noted that certain links between financing for REDD-plus and the methodological elements relating to MRV will also require further elaboration. A group of Parties (Bolivia (Plurinational State of), Japan, and United States) provided a list of topics and/or issues requiring further consideration and work, either by the AWG-LCA or the SBSTA, and the European Union, suggested learning from experiences gained from related areas of work.

[21] Decision 1/CP.13, paragraph 1(b)(v).

[22] Decision 1/CP.13, paragraph 1(e), decision 2/CP.17, paragraphs 120–132 and annex VI.

166. In the context of market-based approaches that could be developed by the COP, Brazil is of the view that the discussions in 2012 should focus on enhancing the understanding among Parties of the elements set out in decision 2/CP.17, paragraph 66, before engaging in the consideration of specific financing options. Brazil is of the view that appropriate market-based approaches exclude the use of offset mechanisms. It recommends that the debate be broadened allowing for due consideration of other options, which could include new ideas on appropriate market-based mechanisms, which would not be based on the generation of offsets.

167. The COMIFAC countries stated that public financing of REDD-plus is their priority. To assess the relevance of alternative funding sources, the COMIFAC countries pointed to the need for a better understanding of the meaning of these sources and a better evaluation of the advantages and disadvantages of each source.

168. Japan recommended that discussions, up until the COP at its eighteenth session, should focus on the various financial options (types of financial resources, channels of financing) and the identification of elements of MRV and the safeguards, which are essential for financing. Japan is of the view that such practical and pragmatic discussions are helpful towards enhancing mutual understanding on the different views and finding a common ground.

169. In order to progress on the architecture of REDD-plus payments, Norway underscored the importance of progressing in the negotiations on further modalities related to MRV, reference levels, and guidance on safeguards information systems. To ensure environmental integrity, Norway recommended the creation of such elements as a common registry – supplemented by national registries – to avoid double counting and/or selling, and to promote comparable standards across sources of demand.

170. In their submissions, Japan and the United States provided detailed lists of topics that could be helpful in framing further discussions. As part of the work to advance the design and implementation of the Joint Mitigation and Adaptation Mechanism, Bolivia (Plurinational State of) identified several areas requiring further work by both the AWG-LCA and the SBSTA. Please refer to document FCCC/AWGLCA/2012/MISC.3 for further details on the submissions of these Parties.

171. To inform the process of designing REDD-plus results-based actions, the European Union suggested using the experiences from sectoral policy changes in developing countries, the synthesis of evolving modalities and procedures of multilateral and bilateral REDD-plus initiatives, lessons learned from voluntary carbon markets and demonstration activities. Japan stated that the effective use of experience gained from demonstration activities is crucial in choosing types of finance.

2. Additional areas of work that may require further exploration

172. Parties also identified additional areas of work that may require further exploration and clarification to facilitate the development of modalities and procedures, such as the following:

(a) Assessing possible scales of implementation (national, subnational, nested subnational, etc.), and their implications in terms of requirements, costs, benefits and potential funding under different forms of financing (Philippines and Switzerland, United States);

(b) Reporting on safeguards under different forms of financing (Japan, United States);

(c) Developing guidance for the effective integration of public and private finances in REDD-plus implementation at the national level (Indonesia);

(d) Assessing the bases for determining performance beyond carbon emission reductions or enhancement – such as the implementation of policies, institutional strengthening and reform, changes in tenure systems, reduced net deforestation or capacity-building, and how these might be monitored and/or verified (COMIFAC countries, Costa Rica, LDCs, Malawi, Malaysia, Mozambique, United States);

(e) Considering institutional and fiduciary arrangements that need to be in place to receive and manage payments (European Union, Norway);

(f) Considering the linkages with payment for PES schemes (Honduras, Philippines and Switzerland);

(g) Elaborating on essential elements of MRV, including possible standardized monitoring and matters related to verification, such as the time and resources needed for verification (Japan, Pakistan, Saudi Arabia);

(h) Assessing forest reference levels/forest reference emission levels, including possible adjustments (i.e. how these adjustments might be approached by different market-based systems) and the implications of different periodicities for updates (European Union, Norway, United States);

(i) Considering ways of addressing risks such as reversal, leakage, underperformance or uncertainty, including those that may result from natural disasters, or any other issue related to non-permanence (Colombia, Costa Rica, Honduras and Mexico, Japan, Norway, Philippines and Switzerland, Saudi Arabia, United States);

(j) Developing quantifiable baselines distinct from the reference levels to ensure environmental integrity and/or incentive levels to allow for consideration of nationally appropriate self-financing (European Union, Norway);

(k) Considering operational definitions (European Union, India, Malaysia, Saudi Arabia).

Annex I

Submissions received from Parties and admitted observer organizations

List of Parties that provided submissions

Document	*Party*
FCCC/AWGLCA/2012/MISC.3	Bangladesh, Cameroon, Central African Republic, Congo, Costa Rica, Côte d'Ivoire, Democratic Republic of the Congo, Dominica, Dominican Republic, Fiji, Gabon, Ghana, Guyana, Honduras, Kenya, Pakistan, Panama, Papua New Guinea, Sierra Leone, Solomon Islands, Suriname and Uganda
	Bolivia (Plurinational State of)
	China
	Colombia, Costa Rica, Honduras and Mexico
	Costa Rica
	Denmark and the European Commission on behalf of the European Union and its member States[a]
	Gambia on behalf of the least developed countries
	Guyana
	Honduras
	India
	Indonesia
	Japan
	Malaysia
	Norway
	Pakistan
	Philippines and Switzerland
	Saudi Arabia
	United States
FCCC/AWGLCA/2012/MISC.3/Add.1	Brazil
	Malawi
FCCC/AWGLCA/2012/MISC.3/Add.2	Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tome and Principe

Document	*Party*
FCCC/AWGLCA/2012/MISC.3/Add.3	Mozambique

[a] This submission is supported by Bosnia and Herzegovina, Croatia, Iceland, Serbia and the former Yugoslav Republic of Macedonia.

List of admitted observer organizations that provided submissions

1. Amazon Environmental Research Institute, Conservation International, Environmental Defense Fund (EDF), Natural Resources Defense Council, Rainforest Alliance, The Nature Conservancy, Union of Concerned Scientists, Wildlife Conservation Society, Woods Hole Research Center, World Vision International (submitted by EDF)

2. Climate Markets & Investors Association

3. Environmental Defense Fund

4. Global Forest Coalition

5. International Emissions Trading Association

6. Rainforest Foundation UK, Rainforest Foundation Norway, Forest and European Resources Network (FERN), ClientEarth, Climate Justice Programme, Forest Peoples Programme, Third World Network, Nord–Sud XXI, International-Lawyers.org, Global Witness, Friends of the Earth US, Friends of the Earth Norway, Friends of the Earth Switzerland (submitted by FERN)

7. Sustainable Population Australia

8. Women's Environment & Development Organization

9. World Bank Group

10. World Wide Fund for Nature

Annex II

Countries' experiences taken from the submissions[1]

1. The Philippines and Switzerland report that the Philippine–Swiss initiative has been facilitating dialogue with several Parties toward a common vision of a feasible, practical, yet robust and verifiable, performance-based REDD-plus and REDD-plus financing. The initiative's efforts continue to involve the private sector, since private capital, as well as market-based approaches, have the potential to shift current investments away from destructive activities that drive deforestation and forest degradation. It is the vision of the initiative that public funds, private investment, and a market for goods and services that protect forests, including carbon and ecosystem services, can be established, ultimately creating local economies that value environmental protection and forest peoples' livelihoods.

2. Elaborating on the Amazon Fund, Brazil explains that the fund receives results-based finance tied to annually verified emission reductions relative to a defined reference emissions level. The fund is structured so as to allow the addressing of the drivers of deforestation and forest degradation, as well as forest conservation, including through the provision of funds to support the implementation of the federal government plan to prevent and control deforestation, improve management of public forests and protected areas, implement sustainable forest management and promote the regeneration of previously deforested areas. In addition, it is aiming at strengthening the political and institutional arrangements to support sustainable development and supporting catalytic approaches that enable large-scale economic transformation towards sustainable development in the Amazon region. Brazil summarizes that the fund combines a simple and transparent approach with credible and verified results, while preserving environmental integrity and national autonomy to support activities according to the country's priorities and national conditions.

3. Honduras's Forestry Law (*Ley Forestal, Áreas Protegidas y Vida Silvestre. Decreto No. 156-2007. Honduras*), already includes positive incentives and the elimination of perverse incentives. However, resource constraints and insufficient enforcement capacity has led to a protracted implementation. In the current readiness phase, some of areas of concern in Honduras are: persistence of perverse incentives, such as subsidies (interest rate subsidies to agriculture and animal agriculture), tax incentives, and underpriced public land; illegal logging; animal agriculture; land tenure issues; and forest governance issues.

4. Pakistan explains that, legally, it has four categories of forests including Reserve Forests (RF), Protected Forests (PF), communal and private forests. The RFs are free of public rights and as such are under the least threat of deforestation and forest degradation. Whereas PF and communal forests are burdened with public rights as legally dictated. The legal rights holders are unwilling to give up their rights unless positive incentives are provided. The last category that is private forest is under severe threat of deforestation and degradation because the owners solely depend on these resources for their livelihood. Forest governance issues are therefore essentially linked with the socioeconomics of forest communities.

5. In Mozambique, three platforms are to be established based on existing government institutions: the National Forest Resource Information Platform (NFRIP), the Strategy and Legislation Information Platform (SLIP), and the Administration and Finance Information Platform (AFIP). They will be interlinked, utilized and functionalized to monitor forest

[1] Reproduced as received from the Parties.

carbon stock changes and leakages while avoiding duplications, to ensure compliance with laws, policies and safeguard guidelines, and to operationalize benefit and risk sharing mechanisms among many other mandates. These platforms will be established within an institutional framework to be developed under CONDES, which is an existing national board to coordinate national policies on matters related to the environment and sustainable development in Mozambique (Decree 40/2000). Sufficient funding and capacity building opportunities are required to prepare such frameworks in phase 1, to demonstrate and improve in phase 2, and to be in operation in phase 3.

Annex III

Detailed views of Parties on various elements[1]

Table 5
Details of policy elements identified by Parties in their submissions

Proposal by	*Details of the element*
Bolivia (Plurinational State of)	2. Foundations and guidelines The Joint Mitigation and Adaptation Mechanism is based on the following foundations: (a) Reinforces the principle that environmental functions of the forests must not be converted into commodities and the understanding that forests are much more than mere reservoirs of carbon. (b) Recognizes, values and supports the efforts of indigenous and local populations' collective action to strengthens local institutions regarding integral and sustainable management of forests and forest landscapes. (c) Supports the respect for local and indigenous peoples' rights and the compliance of States' duties and society's obligations in the promotion of integral and sustainable management of forests and in the creation of sustainable forest landscape dynamics. (d) Promotes the governance of forest with joint results in mitigation and adaptation. (e) Strengthens local resource uses and production practices of local and indigenous people oriented to the conservation and integral and sustainable management of forests and forest landscapes, including use of land, water and biodiversity. (f) Contributes to tackle the contextual conditions and the underlying causes of deforestation and forest degradation taking into account specific needs at the local, regional and national levels. (g) Promotes the enhancement of the sustainable livelihoods of local peoples without compromising the need to fulfilling their food and energy needs The following guidelines should be considered in the implementation of the Joint Mitigation and Adaptation Mechanism for the Integral and Sustainable Management of Forests: (a) Facilitation of the development of an enabling policy environment and incentives, according to country and locally specific situations, to reduce deforestation and forest degradation, thus complying with additionality criteria in the reduction of GHG emissions. (b) Support to the integral and sustainable management of forests, and sustainable forest landscapes dynamics,

[1] Reproduced as received from the Parties.

Proposal by	*Details of the element*
	through an approach which is based on the convergence of rights, duties and obligations, rather than on the payment for environmental services, based on the following criteria: ▪ Rights of peoples to enhance their livelihoods to overcome poverty and peoples' duties to protect forests and the goods and functions that they provide ▪ Rights of nature to be respected in its integrity to regenerate life. ▪ Respect and compliance of indigenous rights. ▪ Duties of States to establish appropriate institutional conditions and incentives to promote the integral and sustainable management of forests ensuring the provision of multiple environmental functions. ▪ Obligations of developed countries to support developing countries through transparent, new and reliable flows of financial resources devoted to climate change mitigation and adaptation. (c) Recognizing, valuing and supporting the development of institutions (regulations and sanctions) of local and indigenous people in order to control and regulate forest use, conserve forests, and support the development of sustainable forest landscape dynamics, while at the same time enhancing sustainable livelihoods for local people, operating within climate friendly and resilient economies. (d) Developing multi-scale programs and projects, with wider social participation, favoring forest conservation options, sustainable forest landscape dynamics, and sustainable livelihoods of local and indigenous people. (e) Fostering private-, public- and community-based initiatives promoting the sustainable use of forests and forest landscapes, including the access of local and indigenous people to a wide variety of financial and non-financial services in order to strengthen local resource use and productive practices. (f) Provision of support to the development of local capacities for integrated forest resource management through the strengthening of appropriate educational systems and vocational training centers to revalue what have hitherto been considered as backward land use practices.

Table 6
Details of governance and/or institutional elements identified by Parties in their submissions

Proposal by	*Details of the element*
	(i) Governance or Institutional Bodies
Bangladesh, Cameroon, Central African Republic, Congo (Republic), Costa Rica, Côte d'Ivoire, Democratic Republic of the Congo, Dominica, Dominican Republic, Fiji, Gabon, Ghana, Guyana, Honduras, Kenya, Pakistan, Panama, Papua New Guinea, Sierra Leone, Solomon Islands, Suriname and Uganda (Coalition for Rainforest Nations and a number of like-minded developing countries)	8. The terms of reference for the design of the REDD-plus Board within the relevant window of the Green Climate Fund, including modalities, procedures, tasks and functions, should be adopted by the Conference of the Parties at its eighteenth session. The REDD-plus Board should, amongst other functions: (a) Comprise 20 expert members, elected for a fixed term by the Conference of the Parties, serving in their personal capacity and nominated by Parties with the aim of achieving a fair and balanced representation and geographical distribution and ensuring equal representation of developed country Parties and REDD-plus country Parties undertaking and/or supporting REDD-plus activities; (b) Work under the guidance and authority of the COP and ensure transparency and consistency with modalities and procedures of existing multilateral and bilateral agencies; (c) Focus its respective public finance on demonstrating results-based actions, supporting actions by developing country Parties choosing not to apply market-based instruments due to national circumstances, and also to protect developing country Parties against market failures, including tools such as supporting appropriate price floors;
Guyana	Public finance should be channeled through a REDD Plus window in the Green Climate Fund. using direct access, and administered by a REDD-plus Board. The REDD-plus Board should work under the guidance and authority of the COP, and its membership should be equally balanced between developed and developing countries and be representative of the major geographical groupings.
Coalition for Rainforest Nations and a number of like-minded developing countries	13. A Regulatory Body under the guidance and authority of the COP should be established to, among other matters, ensure environmental integrity,coordinate all existing and new market-based mechanisms, and ensure balance and the settlement of any dispute that may arise in the implementation phase.
China	1. […] To facilitate the finance allocation, a REDD-plus technical panel, with equal distribution of members from developing and developed countries, may be created as an assistant to the operating entities of the financial mechanism of the Convention. 2. To help developing countries to access the result-based REDD-plus finance, the detailed rules and formats guiding the application and distribution of the result-based REDD-plus finance from the operating entities of the financial mechanism under the Convention should be developed and adopted by COP. To follow the rules and formats agreed by COP, a developing country may send a national proposal voluntarily to the operating entities of the financial mechanism under the Convention, outlining the steps of the actions in the developing country, including development of national or sub-national REDD-plus action plan and strategy, national or sub-national reference level, projection of reduced emission or enhanced removal or stabilized forest carbon stocks at national or sub-national level through

Proposal by	*Details of the element*
	implementing the specific REDD-plus actions. 3. The REDD-plus technical panel should assess the feasibility of the proposed REDD-plus actions submitted by a developing country based on the rules and formats agreed by COP, presenting its recommendations to the operating entities of the financial mechanism under the Convention for final approval.
Bolivia (Plurinational State of)	**3.1 Coordination of actions** Coordination is a responsibility that should be developed for the Joint Mitigation and Adaption Mechanism in the two differ • Constitution of the Joint Mitigation and Adaptation Mechanism at the international arena ensuring decision making with active involvement of national governments of developing countries. • Establishment of dialogue between developed countries and developing countries in order to promote the flow of public funding from the former to the latter as outlined in Article 4.7 of the UN Framework Convention on Climate Change. Second, in the national arena: once constituted the Joint Mitigation and Adaptation Mechanism in each specific country, coordination will take into account the following issues: • Establishment of decision making procedures with the participation of local and indigenous peoples' representative organizations. • Development of schemes to provide financial and non-financial support to individual families, communities or indigenous territories, and local governments, taking into account lessons learned from the field with respect to integral and sustainable management of forests and forest landscapes, and sustainable livelihoods. • Development of criteria for the eligibility and implementation of joint mitigation and adaptation actions. • Revision of national policy framework to address drivers of deforestation and forest degradation and the establishment of a system of incentives for long term integral and sustainable management of forests and forest landscapes, with effects on enhancing sustainable livelihoods of local people and establishment of targets for reduced GHG emissions.
	(ii) Registry and REDD-plus units
Colombia, Costa Rica, Honduras and Mexico	5. Before participating in any of the incentive mechanisms proposed below, a Party shall establish a national REDD-plus Registry to account for the verified emission reductions and carbon stock enhancements ("REDD-plus units", equal to one tonne of carbon dioxide equivalent (CO2e)) it holds, transfers or cancels, these information shall also be transmitted to the UNFCCC REDD-plus Registry that should also be established. Additionally, if a Party decides to participate in any incentives mechanisms at the subnational level, it shall submit information regarding reference levels and monitor emissions at that scale and inform the UNFCCC REDD-plus Registry about the location of each subnational unit, so as to prevent double counting. The SBSTA should provide guidance on the design and operation of the UNFCCC REDD-plus Registry and the national registries.

Proposal by	*Details of the element*
Coalition for Rainforest Nations	Therefore, a process to improve market price stability, as described below, should be considered by the Parties: ▪ *Registry*: The Secretariat would register the agreed reference emissions or removal level, projected emission reductions or removals, request for early crediting, and when achieved, the periodic or annual realized emission reductions or removals.
Norway	**An international registry – potentially supplemented by national registries – is urgently needed to record transactions of emission reductions from REDD-plus.** In a situation of multiple channels for incentive payments, it is crucial that additional elements be agreed and coordinated internationally. In particular, it is crucial that a registry of all transacted volumes be put in place in order to avoid double-counting (i.e., that a ton of emission reductions is sold twice). This applies both to ERs used as offsets under national and regional regimes and those paid for in order to 'cancel' emission reductions (i.e., not to be used for any sort of compliance or re-selling). An effective registry will also provide transparency over flows, and ensure quality and comparability of emission reductions. Please refer to Norway's submission on "A common accounting system under the Convention", November 2011, for details.
Colombia, Costa Rica, Honduras and Mexico	7. REDD-plus units may be used for obtaining the incentives described in this document, provided that it can be demonstrated that the emission reductions and enhancements in carbon stocks they represent have not already been used to obtain results-based incentives from sources outside the UNFCCC framework (for instance, through bilateral results-based agreements, or nationally recognized voluntary carbon markets), or that they have not been used for compliance purposes in any (local, national or regional) carbon market arising from a legally binding mitigation regime. This is the reason for the central role of the Registry. 8. In order to guarantee the environmental effectiveness and integrity of the mechanism, all REDD-plus units for which incentives are granted shall be backed through one or more of the following approaches to deal with the risks of reversals, inter alia: • The establishment of REDD-plus units reserves at the national and/or subnational levels, the size of which shall be determined by methods to be developed by SBSTA; • Insurance, in which case any reversals shall be compensated with an amount of any valid UNFCCC mitigation unit equal to the loss occurred, instead of a monetary compensation; • Any other approach that might arise from the ongoing discussion on non-permanence under the Clean Development Mechanism, if applicable. 12. For each verified REDD-plus unit of a Party at the national or subnational level, it shall receive a monetary incentive per REDD-plus unit updated periodically. SBI should issue guidance on the pricing approach for this REDD units from the GCF. 14. REDD-plus units exchanged for fund-based incentives shall be forwarded to the holding Party´s cancellation account to avoid their subsequent use in market-based incentives mechanisms. 16. Therefore, REDD-plus units outside of the GCF could be eligible to be used for compliance with any emission reduction commitment established under the framework of the UNFCCC from 2013 on, including with the second commitment period of the Kyoto Protocol and with the commitments arising from the protocol and another legal

Proposal by	*Details of the element*
	instrument or agreed outcome with legal force under the Convention resulting form the work of the Ad Hoc Working Group on the Durban Platform for Enhanced Action. In addition to information on REDD-plus generated, transferred or cancelled, the Registry may also contain information on any transferability conditions for this REDD-plus Units. 17. The use of REDD-plus units for compliance with any emission reduction commitments shall be supplemental to national mitigation efforts. Any transaction outside of the GCF shall be reported to the carbon registry. 26. Emission reductions and increases in carbon stocks resulting from these actions and investments in enabling environments shall be eligible to generate REDD-plus units, irrespective of the sources of funding used for their implementation (i.e., national and/or international) as long as they comply with all the methodological and other requirements adopted for REDD-plus. However, international funding for such actions shall never be conditioned to the generation of REDD-plus units unless specifically negotiated among the Parties involved.
Costa Rica	The reduction of emission levels and enhancement of forest carbon stock as result of the Nationally Appropriate Mitigation Actions (NAMAs) must be eligible for generating REDD-plus units, independently of the funding source used for its implementation. Nevertheless, the international funding available must not be conditional for the generation of REDD-plus unit, in this case, if a party want to finance a unit of NAMA REDD-plus, this unit must not be considered for a additional unit REDD-plus. Endogenous Market Based Incentives: in order to increase the private funding and improvement the REDD-plus activities conditions at the long term, the REDD-plus units generated by the developing countries must be widely recognize as a mechanisms for achieve the national reduction emission level in low carbon economies. It is important to consider that the generated REDD-plus units must be eligible for using as part of the accountability for achieving the commitment taking under UNFCCC Convention, at 2013 and beyond 2013, including those commitment established under the Kyoto Protocol. This units must be widely recognized as a mechanisms for achieve the goal of national reduction emission in those countries with low carbon economies. This REDD-plus units also must be considered as a supplementary tool for reaching the commitment of the national strategy for emission reduction
	(iii) Reporting and review
Colombia, Costa Rica, Honduras and Mexico	**III. Procedures for results-based incentives** 18. A developing country Party wishing to obtain REDD-plus units from emission reductions and/or carbon stock enhancements resulting from the successful implementation of activities referred to in paragraph 70 of decision 1/CP.16 shall submit a REDD-plus report on monitored emissions and removals demonstrating how carbon benefits were achieved during the period since the last issuance of REDD-plus units to a review body established by the COP specifically to this end and in relation to a reference level submitted by the Party and reviewed according to procedures defined by the SBSTA. Annex I Parties shall provide additional resources to cover the costs of the preparation of such report. The contents and format of the performance report should be defined by SBSTA. 19. After reviewing the REDD-plus performance report based on guidance to be established by the SBSTA, the review

Proposal by	*Details of the element*
	body may decide to approve or reject it. In case the report is approved, it shall be forwarded to the entity designated by the COP as the UNFCCC REDD-plus registry manager, which shall issue and register an amount of REDD-plus units equal to the total emission reductions and enhancement in carbon stocks verified by the review body. If the report is rejected, the review body shall provide, in writing, an explanation of its decision pointing out any specific non-compliances with the adopted guidance. Upon revising the performance report, the Party shall be able to submit it again for review. 20. Once issued, the Party shall be able to convert the REDD-plus units to incentives using one, or a combination of, the mechanisms proposed in the previous section. Any Party holding REDD-plus units may decide to cancel them by requesting the manager of the registry to forward them to its cancellation account, in which case they shall be recognized as a net contribution of that Party to climate change mitigation. REDD-plus units shall also be cancelled once they have been converted into fund-based incentives or used for compliance with emission reduction commitments under the UNFCCC. 21. Benefit sharing arrangements to ensure equitable compensation to relevant land owners/stewards and other relevant actors shall be determined by countries.
Costa Rica	**V. Procedures for Action Taken Incentives** Those developing countries who want to requests the use of REDD-plus units for the accomplishments of the emission reduction level or enhancement of the carbon stocks, as mentioned in the 70 paragraphs of I/CP16, must sent a performance report showing how the carbon benefits has been reached. This report must be check by panel established by the COP, the contents and the format of this report will be define by the SBSTA The panel could accept or reject the report. The report must follow the specification established by the SBSTA. If it is accepted it will be send to a pre-establish COP entity (as a REDD-plus register manager). This entity has the task to register the amount of REDD-plus unit's equivalent to the reduction emission level and enhancement carbon stocks. If the report is rejected, the panel must send a note pointing out the failures, after that the part could make the amendments and present the report again The part could convert the REDD-plus units into incentives, using one or more of the mechanisms proposed. Any parts that have REDD-plus units can pay off it by asking to the REDD-plus register manager to send it to the account, in that case the REDD-plus units must be regards as a net contribution for climate change mitigation. Also the REDD-plus units could be pay off once they have been converted to fund based incentives or used as mechanism for reduction emission under UNFCCC Convention.
	(iv) Benefit sharing arrangements
Bolivia (Plurinational State of)	The provision of financial support should consider the following aspects: • Financial support for the creation and strengthening of local institutions, initiatives and actions oriented to the integral and sustainable management of forests' and forest landscapes, and development of sustainable livelihoods joining mitigation and adaptation, taking into account three levels: i) individual or familiar, ii) communal or indigenous territories, iii) local governments.

Proposal by	*Details of the element*
	• Financial and non-financial support for the production, transformation, and commercialization of products from forest and forest landscapes, fostering diversification and the strengthening of local resource use and practices. • Supplementary financial support to individual families, communities and local governments that meet targets for reduced deforestation and forest degradation and the establishment of sanctions for those which fail to do so. • Financial support for the development of monitoring of forests at multiple scales including monitoring carried out by local and indigenous people.

Table 7
Details of methodological elements identified by Parties in their submissions

Proposal by	*Details of the element*
	(i) Measuring, reporting and verifying (MRV)
Bangladesh, Cameroon, Central African Republic, Congo, Costa Rica, Côte d'Ivoire, Democratic Republic of the Congo, Dominica, Dominican Republic, Fiji, Gabon, Ghana, Guyana, Honduras, Kenya, Pakistan, Panama, Papua New Guinea, Sierra Leone, Solomon Islands, Suriname and Uganda (Coalition for Rainforest Nations and a number of like-minded developing countries)	**Category III.** *MRV Emissions Reductions through a Market Mechanism:* ▪ *Scope*: Measurable, reportable and verifiable (MRV) emissions reductions units which are fully fungible within market mechanism(s). ▪ *Financial Sources*: A REDD Mechanism should provide full and equitable participation with global carbon markets including instruments to stabilize dramatic fluctuations in supply and demand that could be supported by funds derived by the auction of AAUs and carbon taxes (see below.) ▪ *National Monitoring, Accounting and Reporting*: should apply national-scale monitoring, reporting and accounting systems, including the principle of conservativeness and guidance provided by Decision 2/CP.13 and Decision SBSTA/2008/L.23, requiring 2003 IPCC GPG methodologies where utilizing carbon offsets, and subject to the necessary funding and capacity support for their implementation. ▪ *Reporting*: When reporting, Parties would apply reporting principles already established under UNFCCC (transparent, consistent, comparable, complete and accurate) and may also implement a new principle of conservativeness. ▪ *Fungible*: Emissions reductions units earned under an agreed national reference emissions level that are measurable, reportable, and verifiable, should be guaranteed direct market access, be fully fungible with AAUs, and transacted at a price equal to those credits transacted by Annex_1 Parties.
Bolivia (Plurinational State of)	**3.2 Establishment of an Operational Framework for Support** This is an outstanding task in both international and national levels in order to make this proposal operational in an effective, efficient, accountable and equitable way, taking into account the procedures in tuning with country-specific realities. The following operational priorities should be taken into account: a) Definition of standard eligibility criteria for joint mitigation and adaptation actions at different scales: i) individual, ii) communal or indigenous territories, and iii) local governments. b) Establishment of methodologies and standardized operational procedures for land use planning and the assessment of ecological stability of forests and forest landscapes considering social-environmental balances and tradeoffs c) Identification and formulation of multidimensional indicators of forests integrality and sustainability including deforestation and forest degradation, and joint indicators of mitigation and adaptation. d) Control and monitoring of forest condition at multiple levels (i.e. local, sub-national and national) emphasizing the development of monitoring systems arranged and implemented by local and indigenous people based on multidimensional indicators comprising social and environmental aspects associated with the use and management of forests, including mechanisms of self-regulation where capacity exists.

Proposal by	*Details of the element*
	e) Systematization of local practices, under the premise that the joint mitigation and adaptation approach is a process based on "learning through experience".
Denmark and the European Commission on behalf of the European Union and its member States	▪ Participation requirements for results-based financing o A description of the contribution of REDD-plus activities to Nationally Appropriate Mitigations Actions; o A national REDD-plus strategy or action plan is in place in accordance with paragraph 72 of Decision 1/CP16 and links to relevant policies and programmes such as national forest programmes, FLEGT systems etc.; o A national forest monitoring system in accordance with the guidance by the COP, is in place; o Forest reference emission levels and/or forest reference levels are independently assessed, according to guidance by the COP, and are adopted by the COP; o Anthropogenic forest related emissions and removals are fully measured, reported and independently verified; o A system for providing information on how safeguards are addressed and respected is in place; o A summary of the information on how all safeguards are addressed and respected is provided as part of the National Communications and biennial update reports; o An agreed scope, methodology and quantifiable baseline for the provision of finance for results-based actions; o Fiduciary and institutional arrangements.
Guyana	MRV Guyana recognizes the important role of forest monitoring, measurement, reporting and verification systems in a REDD scheme for results based payments. In implementing national forest monitoring system, Decision 4/CP.15 of the Conference of the Parties relating the methodological guidance for REDD Plus is noted. Forest monitoring systems should: i. Be consistent with MRV of NAMA's, ii. Be based on a combination of both ground based and remotely sensed approaches, and using a tiered approach in accordance with ICC guidelines and guidance. iii. Be national in scope, but may include subnational forest monitoring systems based on national circumstances. Reporting should i. Be consistent with those under MRV of NAMA's, ii. Be done through national communications every four years, with biennial updates of GHG inventories iii. Provide any additional or technical information through a technical Annex.

Proposal by	*Details of the element*
	Verification Pursuant to 1/CP.16, Annex II para (c) verification has to be consistent with that under MRV of NAMA's. Subject to 1/CP.17 Annex IV, Parties have agreed to conduct International Consultation and analysis of biennial reports under SBI in a manner that is non-intrusive and non-punitive, and respectful of national sovereignty and legislation.
India	2. Participation: Developing countries may undertake voluntarily the activities mentioned in paragraph 70 of decision 1/CP.16, and claim incentives for results-based actions following due modalities and procedures agreed by Parties for the purpose. 3. Unit for assessing deforestation: All developing countries voluntarily participating as per paragraph 2 above shall use the same unit of area in multiples of 1 hectare for assessing deforestation. 4. Unit for assessing forest degradation: Participating developing countries shall use the same unit of dry biomass in metric tonnes lost or extracted in a forest area for assessing forest degradation. 5. Unit for assessing conserved forest carbon stocks: Participating developing countries shall use the same unit of dry biomass in metric tonnes conserved or stabilized in a forest area for assessing conserved forest carbon stocks. 6. Unit for assessing enhancement in forest carbon stocks: Participating developing countries shall use the same unit of dry biomass in metric tonnes added in a forest area for assessing enhancement of forest carbon stocks due to management interventions. 7. The resultant effect of actions leading to emission reduction, removal or conserved/ stabilized forest carbon stocks will be expressed in units of metric tonnes CO2eq.
Indonesia	Indonesia is of the view that modalities and procedures for financing of full implementation of the result-based actions under paragraph 73 of Decision 1/CP. 16 should: (include the following methodological related elements) (ii) support emission reduction/emission avoidance/enhancement of forest carbon stocks that show additional, fully measured, reported and verified, and meet other key requirements including safeguards. Emission reduction/emission avoidance/ enhancement of forest carbon stocks should be quantified against a national forest reference emissions level/forest reference level or a sub national reference emissions level/forest reference level with actions to be monitored and reported under a national forest monitoring system; (v) provide mechanism for adequate incentives to countries with significant carbon stocks but lower deforestation rates in order to deviate from future deforestation and emission pathways, while ensuring other key requirements;
Japan	For the full implementation of the results-based REDD-plus actions, finance should be provided for REDD-plus actions which are fully measured, reported and verified and are fully ensuring the safeguards identified in paragraph 2 of appendix I to decision 1/CP.16, in accordance with assessment of country's performance in implementing the activities referred to in decision 1/CP.16, paragraph 70. For this purpose, robust and transparent national forest monitoring system and system for providing information on how the safeguards are being addressed and respected are indispensable. Therefore, the progress of the development of such systems and their feasibility should be reviewed in transparent

Proposal by	*Details of the element*
	manner. In this context, we should also note that maintaining comparability of the results is important as results of REDD-plus actions would be potentially diverse depending on the national circumstances.
Malaysia	(c) Following the national forest monitoring, carbon accounting on the emission reduction and or removals will be compiled at national level and submitted to the UNFCCC on a voluntary basis by developing country parties.
Norway	**Conservative estimates of emission reductions could be used in an interim period before more accurate measurements are possible.** This would incentivize broad participation among developing countries, maximize near term mitigation potential and learning for future scale-up, increasing and improving global environmental integrity by reducing international leakage, increase cost-effectiveness (paying for fewer tons than you get) and lower transaction cost. By using default values subtracted for the full confidence interval to discount for uncertainty, this would allow early access to results-based payments while also incentivizing continuous improvement over time. Norway does not see any reason why these cannot qualify, to enter compliance markets in the future, on equal terms with "fully MRVed" reductions, given that the appropriate discounts more than ensure full environmental integrity.
Pakistan	**4. Robust and Transparent national forest monitoring system as referred in paragraph 71 (c)** Presently, Pakistan has no centralized forest reporting system. However, provincial and local authorities have adopted monitoring systems of diverse specifications including field based surveying and remote sensing based monitoring. Pakistan strongly recommends a harmonized and standardized forest monitoring system for the sake of transparency in REDD-plus activities. The national forest monitoring system requires approved methodologies backed with technical resources and capacity building of stakeholders, with the support of bilateral and multilateral financing agencies.
Saudi Arabia	**B. Measuring, reporting and verifying** 1. To accomplish a successful financing based-result, the need for an accurate MRV system is essential. However, this is not the case. It is a major challenge to accurately estimate the CO2 stored/leaked in a tree, a hectare of land or a forest, as forests vary tremendously in their characteristics and possible baselines. 2. There will be considerable resources and time consumed during the period for verification. This aspect on its own has not been completely addressed and needs further deliberation. 3. Saudi Arabia believes in country ownership and sovereignty over a country's own lands and natural resources. However, there needs to be a detailed and unified monitoring system with clear monitoring procedures and descriptions. By virtue of plantation life spans, it is very challenging to establish a precise monitoring system. Instead there may be consideration of a dynamic and evolving plan that would develop as time pass by requiring continuous amendments and changes. This can create instability and would make MRV extremely difficult. 4. Due to all of the MRV undisclosed issues, Saudi Arabia finds it difficult to address these concerns in economic terms. This, on its own, will require further deliberation before tackling the financial issue, not to mention the need to establish long term monitoring systems. **(ii) Forest reference emission levels/ forest reference levels**

Proposal by	*Details of the element*
Denmark and the European Commission on behalf of the European Union and its member States	▪ A quantifiable baseline for the provision of finance for results-based actions and how those baselines differ from forest reference emission levels and/or forest reference levels, ensuring environmental integrity.
Guyana	Reference levels for results based payments: The market based mechanism referred to in paragraph 83 of decision 1/CP.17 should recognize the need to include highly forested countries which have maintained very low historical rates of deforestation through sustainable management of forests (SMF). Parties with high forest cover having maintained low rates of deforestation and forest degradation should be able to adjust their national reference emissions level relative the historical rate. Parties not included in Annex I may voluntarily engage results based actions referred to in paragraph 73 of decision 1/CP.16 and should provide, inter alia, the following information: • Reference Scenario: a national reference emissions or removal level taking into account historical data and national circumstances, including low rates of historical deforestation and forest degradation, and assessed over a period of at least five years; • Projected Emissions Reductions: a National REDD Plan, including policy approaches that states the total projected emissions reductions or removals to be achieved below the reference emissions or removal level during an agreed timeframe; • Developmental Adjustment: an adjustment to the reference emissions or removal level, either elevated or reduced, and early action credits taking into account, inter alia, the developmental divergence and respective capabilities of REDD countries.
India	12. For First Accounting Period, accountable anthropogenic greenhouse gas emissions by sources and removals by sinks resulting from reported forest cover and ToF (if elected) shall be equal to anthropogenic greenhouse gas emissions by sources and removals by sinks in the FAP less the reference level (RL)/reference emission level (REL) agreed by the Parties for the developing country Party. 13. RL/REL of a developing country Party will be expressed in metric tonnes CO2eq. 14. RL/REL for a developing country Party shall be fixed in an open and transparent manner following the procedure agreed by Parties for the purpose, which will include independent expert review by UNFCCC of the proposal of RL/REL submitted by the developing country Party.
Norway	**A periodic review of reference levels would contribute to ensuring global environmental integrity**. Further progress is needed on reference levels, especially if reference levels are the point of departure for calculating or negotiating incentive levels. It will be necessary to establish a periodic cumulative review of all approved reference levels and incentive levels to avoid a situation where results-based finance would be provided without a reduction in global deforestation rates. We understand that developing countries cannot be held liable for lack of progress in other countries. However, the pressure on forests in one developing country will also be affected by actions in other developing countries. We believe the best way to ensure that the incentive structure is effective, efficient and equitable is to instigate a periodic

Proposal by	*Details of the element*
	review process to guide future reference level and incentives level setting.
Brazil	The reduction of emissions from deforestation and/or from forest degradation, or the increase in forest carbon stocks arising from results-based actions shall be measured, reported and verified at the national level, relative to a national reference level or reference emission level established following all relevant UNFCCC decisions.

Table 8
Details of accounting elements identified by Parties in their submissions

Proposal by	*Details of the element*
Bangladesh, Cameroon, Central African Republic, Congo, Costa Rica, Côte d'Ivoire, Democratic Republic of the Congo, Dominica, Dominican Republic, Fiji, Gabon, Ghana, Guyana, Honduras, Kenya, Pakistan, Panama, Papua New Guinea, Sierra Leone, Solomon Islands, Suriname and Uganda (Coalition for Rainforest Nations and a number of like-minded developing countries)	▪ *Deduction from AAU Allocations*: On a periodic or annual basis, the Secretariat would proportionally deduct the total of the agreed requests for early crediting along with the projected emissions reductions or removals from the respective AAU allocations of Annex-1 countries, in an equitable way, that will be held in a REDD Settlement Account. ▪ *Settlement*: On a periodic or annual basis, REDD participants would report realized emissions reductions to the Secretariat, and o *Sales*: subject to independent verification, realized emission reductions would be exchanged on an equal basis by the Secretariat for the fully fungible AAUs being held within the REDD Settlement Account. o *Proportionality*: the Secretariat would exchange AAUs held within the REDD Settlement Account on a proportional basis between all participating Annex-1 Parties. o *Shortfalls*: On a periodic basis, if the supply of realized emissions reductions is less than the total AAU deductions: • The shortfall from one REDD country could be fulfilled by another REDD country, or • If no fulfillment was made by other REDD participants, the Secretariat would proportionally return the residual AAUs to the participating Annex-1 Parties. o *Oversupply*: On a periodic basis, if the supply of realized emission reductions is greater than the total AAU deductions available: • The oversupply could be used to fulfill shortfalls by other REDD countries, or • If there is no shortfall by other REDD countries, the realized emission reductions could be banked for application in future years, or a portion could be made available for offsets, or otherwise addressed by the Parties. 9. **Ex-Ante Crediting**: A further step forward, a developing country Party could be issued allowance credits ex_ante against an agreed reference emissions or removal level, considering that a REDD Mechanism would effectively constitute a sectoral approach for a system of policy approaches and positive incentives, similar to that applied by Article 3.3 and 3.4 of the Kyoto Protocol.
India	8. Scope of accounting: Forest carbon stocks of the entire country will be compiled at the national level, and will comprise such stocks corresponding to the i) forest cover of the country, and ii) trees outside forest (ToF) in the country. Selection of ToF will be optional for a developing country. 9. However, ToF once accounted for in the First Accounting Period (FAP) shall continue to be accounted for in the subsequent Accounting Periods (APs) also.

Proposal by	*Details of the element*
	10. Similarly the extent of forest cover accounted for in FAP shall continue to be accounted for in the subsequent APs also. 11. Duration and beginning of FAP will be determined by the Parties. 12. For FAP, accountable anthropogenic greenhouse gas emissions by sources and removals by sinks resulting from reported forest cover and ToF (if elected) shall be equal to anthropogenic greenhouse gas emissions by sources and removals by sinks in the FAP less the reference level (RL)/reference emission level (REL) agreed by the Parties for the developing country Party.

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